

CITY OF ALCOA

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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CITY OF ALCOA, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

For the Fiscal Year Ended June 30, 2016

CITY OF ALCOA

City Officials

CITY OF ALCOA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

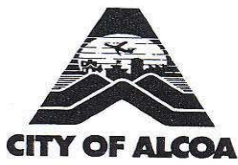
For the Fiscal Year Ended June 30, 2016

BOARD OF COMMISSIONERS

Donald R. Mull, Mayor
Clint Abbott, Jr., Vice Mayor
Vaughn Belcher, Commissioner
Clayton Bledsoe, Commissioner
Ken White, Commissioner

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

“Excellence in Service - Quality of Life”



January 24, 2017

Honorable Mayor
City Council and City Manager
City of Alcoa, Tennessee
Alcoa, Tennessee

The financial statements of the City of Alcoa, Tennessee for the fiscal year ended June 30, 2016 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.

This report is presented in five sections: 1) the **Introductory Section** which includes this transmittal letter; 2) the **Financial Section** which includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information and the combined financial statements; 3) **Miscellaneous Schedules**, which includes selected financial information; 4) **Statistical Information**, and 5) the **Single Audit Section** which includes schedules and independent auditors' reports on federal and state grants.

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 and electric, sewer and refuse services, development services, municipal courts, education, recreational and cultural activities, streets, traffic control, and general administrative services.

PROFILE OF THE GOVERNMENT

The City of Alcoa is a unique and culturally diverse community located in the eastern part of Tennessee with a resident population according to the 2010 U.S. Census of 8,449. Blount County, the county in which Alcoa resides, has a population of 123,010 as of 2010. The City is 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.

The City provides a full range of services, which includes public safety (police and fire protection), street maintenance, parks, public improvements, planning and zoning and general administrative services. The City provides water, sewer and electric services to both city residents and customers who reside outside of our city limits. The City provides its citizens with solid waste collection and is responsible for the day-to-day operation of the countywide Alcoa/Blount County/Maryville Landfill. The Alcoa City Schools operate under the City Charter and are considered a part of the City's financial statement. The Alcoa Schools System provides educational services to students who reside within Alcoa, as well as a large number of tuition students from outside the City.

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 is dealing with the economic slowdown, but there are some signs of improving based on our local sales tax revenue increase. This is a sign that the general population feels some encouragement about our economy. The City of Alcoa and Blount County has the fourth lowest unemployment rate in the State at 4.3%. The City staff continues to work with our local industrial development board and developers to draw commercial and industrial business to our area.

The City's official population has grown from 6,870 in 1980, to 6,400 in 1990, to 7,734 in 2000, and to 8,449 in the 2010 census. The rebound of the housing sector that began in the City some six years ago has continued. The City is averaging around 35 new single-family homes each year, consistent with its pre-recession figures. This growth is expected to taper off in the coming years, as once available lots for single-family development are now being depleted. A greater mix of housing types is expected to emerge, in the form of single-family attached and multi-family dwellings, as the demand for land area increases and to accommodate changing demographics. For instance, a 269 unit apartment development completed in 2015 is to be expanded for an additional 84 units starting in FY17.

The commercial and industrial sections in the City continue to be in various stages of development, with promising activity due to joint recruiting achievements. ProNova Solutions is the first tenant to occupy the 500 acre research and development part within the City, which is to have a mixture of high tech industry, commercial and residential uses. The City also continues to work in partnership with the State and a developer to establish a 250 acre urban development that is located across from the airport – the site of the former Alcoa West Plant – with phase one utility and roadway construction to take place spring of 2017. This construction activity is expected to heighten the prospective interests in this property. The property has the potential of being transformed into a new downtown area for the City. The West Aviation Area of the McGee Tyson Airport is a 45 acre site in the City for development types related to aviation. Recent activity includes Cirrus

Aircraft. Cirrus Aircraft is developing a multi-phase vision center on this property, with two buildings completed by the end of 2016. A third is expected to be approved in the first quarter of 2017 and advance at a quick pace. Advanced Munitions International has announced its plans to develop 235 acres for its global headquarters, including manufacturing and product development and are proceeding as planned.

Long-term Financial Planning

The City is in the design phases of several greenway expansions, which will link existing trail segments, the school campuses and a commercial center, with most construction expected to take place spring of 2017. Additionally, a park restroom facility will be constructed during the spring of 2017 as well. The facility will be located in Springbrook Corporate Center, behind the Municipal Building, adjacent to the greenway trail and near the land/park island. These projects will be completed with both local and state funds. A new fire station continues to be considered, which will replace an older station. The new site being considered is more centrally located based on how the City has grown in different areas. Recent renovations to the existing station have deferred the need for construction of a new station for approximately 10 years.

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, 2016 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 and City Manager for their support and interest in improving Alcoa's fiscal policies and practices, I express my sincere appreciation.

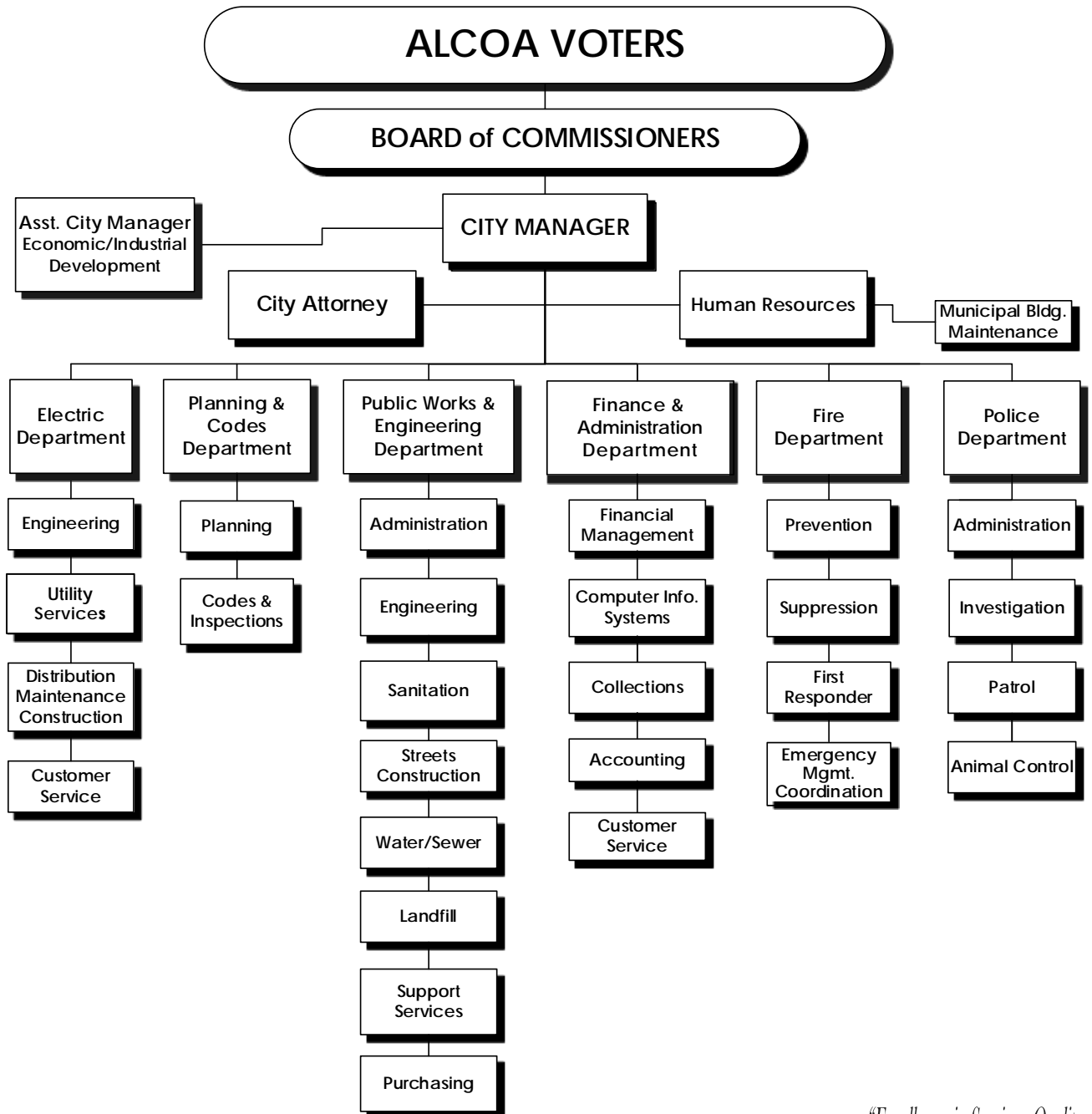
Respectively submitted,



Susan Gennoe
Director of Finance & Administration



City of Alcoa



"Excellence in Service - Quality of Life"

CITY OF ALCOA, TENNESSEE

SECTION TWO

FINANCIAL SECTION

For the Fiscal Year Ended June 30, 2016



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

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Alcoa, Tennessee 37701

Telephone
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Facsimile
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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Education Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages ix through xviii, and required supplementary schedules pages 107 through 117 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information, statistical schedules, miscellaneous schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

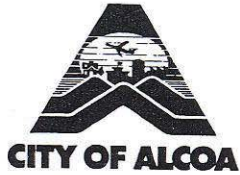
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 24, 2017, on our consideration of the City of Alcoa, Tennessee’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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

January 24, 2017



223 Associates Boulevard, Alcoa, Tennessee 37701-1943

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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, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

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 council, 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.

Fund Financial Statements (Continued)

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.

FINANCIAL HIGHLIGHTS

- ♦ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$72.4 million (net position). The total net position increased by \$449 thousand compared to the prior year. Included in the results is a \$924 thousand liability due to a change in debt service requirements. Without the change in debt service, the change in net position increased by \$1.4 million.

FINANCIAL HIGHLIGHTS (Continued)

- ◆ At June 30, 2016, the City's governmental activities reported combined ending fund balances of \$14.5 million, a decrease of \$1.92 million in comparison to the prior year. Included in these totals is a \$924 thousand change due to the change in debt service accounting requirements.
- ◆ At June 30, 2016, total fund balance for the general fund was \$6.5 million. The unassigned portion of the fund balance is \$5.4 million, which is 30.3% of total general fund expenditures of \$17.8 million.
- ◆ At June 30, 2016, the City's proprietary funds reported combined total net position of \$60 million, and total unrestricted net position of \$9.5 million.
- ◆ The City issued \$14,020 million in refunding bonds to effect a cumulative savings/economic gain due to more favorable interest rates.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds, and fiduciary funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

STATEMENTS OF NET POSITION						
<u>Assets</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other Assets	\$ 31,649,685	\$ 33,584,564	\$ 35,795,979	\$ 36,008,673	\$ 67,445,664	\$ 69,593,237
Capital assets (net)	87,070,734	88,162,110	117,076,257	120,485,631	204,146,991	208,647,741
Capital lease property	<u>9,894,150</u>	<u>10,007,914</u>	<u>-</u>	<u>-</u>	<u>9,894,150</u>	<u>10,007,914</u>
Total Assets	<u>128,614,569</u>	<u>131,754,588</u>	<u>152,872,236</u>	<u>156,494,304</u>	<u>281,486,805</u>	<u>288,248,892</u>
Deferred Outflows of Resources:						
Deferred state regulatory charges	-	-	1,239,456	1,130,197	1,239,456	1,130,197
Pension contributions after measurement date	1,496,320	1,728,667	1,322,023	867,902	2,818,343	2,596,569
Pension changes in experience	179,937	87,495	217,996	-	397,933	87,495
Changes in proportion of net pension asset	150,815	41,326	-	-	150,815	41,326
Accumulated Change in fair value of interest rate swaps	<u>1,152,297</u>	<u>1,117,753</u>	<u>6,831,101</u>	<u>4,814,288</u>	<u>7,983,398</u>	<u>5,932,041</u>
Total Deferred Outflows	<u>2,979,369</u>	<u>2,975,241</u>	<u>9,610,576</u>	<u>6,812,387</u>	<u>12,589,945</u>	<u>9,787,628</u>
<u>Liabilities</u>						
Long-term liabilities	82,881,230	100,817,456	83,985,671	84,434,967	166,866,901	185,252,423
Other liabilities	<u>24,427,840</u>	<u>8,402,788</u>	<u>17,809,459</u>	<u>17,890,138</u>	<u>42,237,299</u>	<u>26,292,926</u>
Total Liabilities	<u>107,309,070</u>	<u>109,220,244</u>	<u>101,795,130</u>	<u>102,325,105</u>	<u>209,104,200</u>	<u>211,545,349</u>
Deferred Inflows of Resources:						
Pension changes in experience	1,464,755	11,230	37,150	9,381	1,501,905	20,611
Pension changes in investment earnings	307,664	3,960,124	597,824	827,639	905,488	4,787,763
Deferred revenue - property tax	10,014,628	9,681,393	-	-	10,014,628	9,681,393
Bond deferral	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total Deferred Inflows	<u>11,787,047</u>	<u>13,652,747</u>	<u>734,974</u>	<u>837,020</u>	<u>12,522,021</u>	<u>14,489,767</u>
<u>Net Position</u>						
Net investment in capital assets	18,305,142	18,643,895	49,237,556	50,190,104	67,542,698	68,833,999
Restricted for:						
General Fund	1,112,451	1,005,526	-	-	1,112,451	1,005,526
Special revenue	2,052,441	1,801,413	-	-	2,052,441	1,801,413
Capital projects	4,916,649	6,485,863	-	-	4,916,649	6,485,863
Debt service	1,019,041	2,945,179	-	-	1,019,041	2,945,179
Property acquisitions	-	-	1,264,653	1,477,123	1,264,653	1,477,123
Unrestricted (deficit)	<u>(14,907,903)</u>	<u>(19,025,038)</u>	<u>9,450,499</u>	<u>8,477,339</u>	<u>(5,457,404)</u>	<u>(10,547,699)</u>
Total Net Position	<u>\$ 12,497,821</u>	<u>\$ 11,856,838</u>	<u>\$ 59,952,708</u>	<u>\$ 60,144,566</u>	<u>\$ 72,450,529</u>	<u>\$ 72,001,404</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$72.4 million and \$76.7 million at June 30, 2016 and June 30, 2015, respectively.

The largest portion of the City's net position reflects its net investment of \$67.5 million in capital assets (e.g. land, buildings, infrastructure, improvements, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

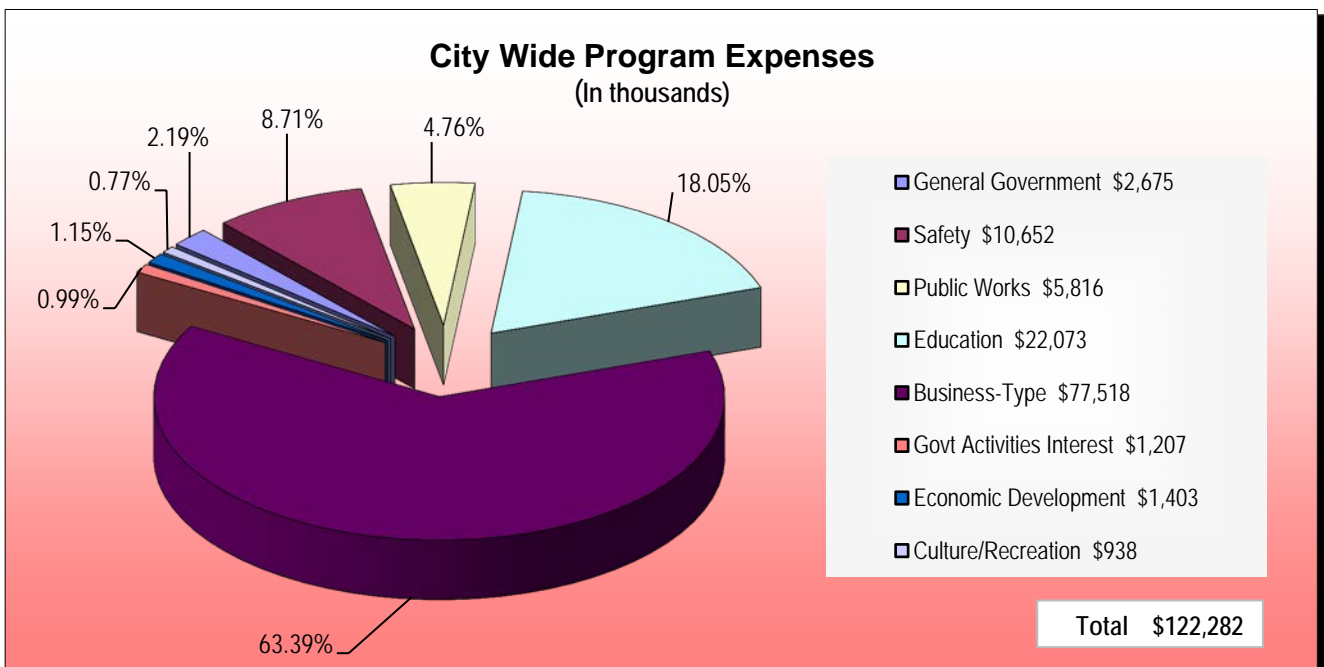
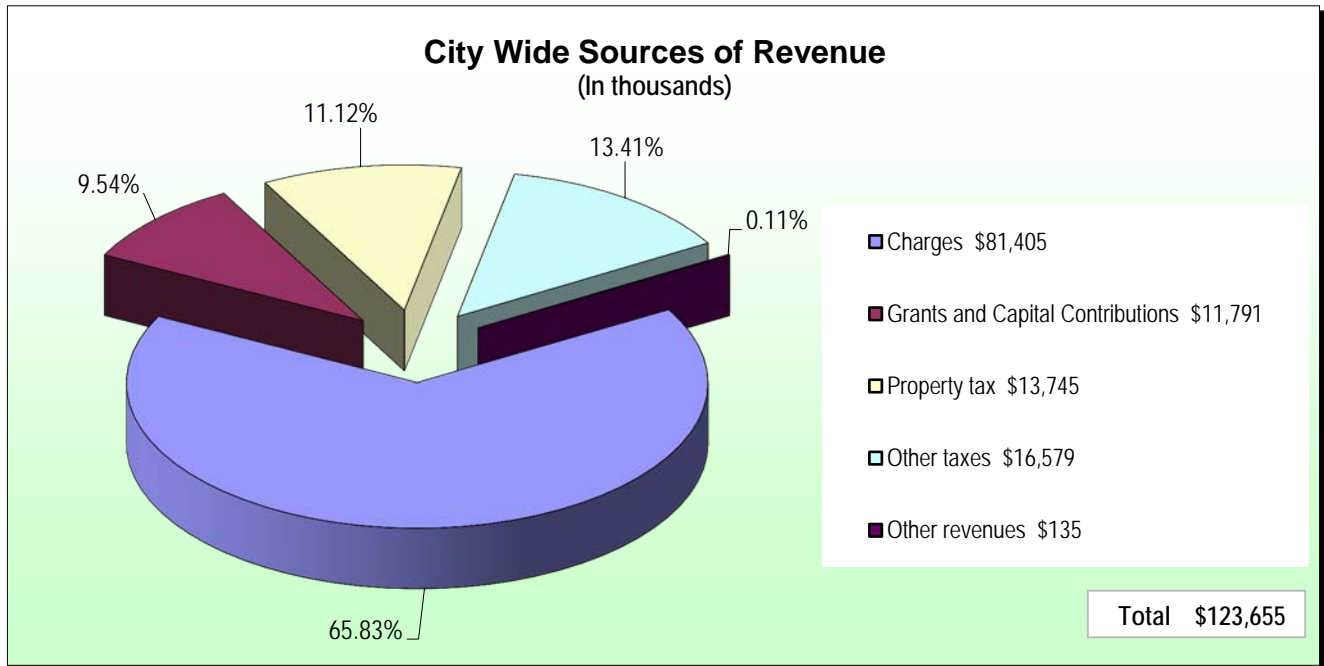
An additional portion of the City's net position, \$10.4 million (14%) represents resources that are subject to external restrictions on how they may be used.

Analysis of Change in Net Position

The City's net position increased by \$3,398,385 for the fiscal year 2016. These changes are explained in the government and business-type activities presented below.

Revenues	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	\$ 2,394,735	\$ 1,558,723	\$ 79,044,793	\$ 81,233,771	\$ 81,439,528	\$ 82,792,494
Operating grants and contributions	10,218,711	10,536,788	153,261	75,718	10,371,972	10,612,506
Capital grants and contributions	1,385,336	5,202,207	-	-	1,385,336	5,202,207
General Revenues:						
Sales taxes	14,142,755	14,520,112	-	-	14,142,755	14,520,112
State income taxes	135,244	95,095	-	-	135,244	95,095
Property taxes	13,744,696	13,734,216	-	-	13,744,696	13,734,216
Business taxes/licenses	942,515	897,280	-	-	942,515	897,280
Miscellaneous taxes	1,061,384	790,571	-	-	1,061,384	790,571
Investment earnings	117,349	56,826	17,168	7,322	134,517	64,148
In-lieu of taxes	297,331	371,954	-	-	297,331	371,954
Total Revenues	<u>44,440,056</u>	<u>47,763,772</u>	<u>79,215,222</u>	<u>81,316,811</u>	<u>123,655,278</u>	<u>129,080,583</u>
Expenses						
General government	2,675,015	2,226,413	-	-	2,675,015	2,226,413
Police and Fire	10,652,182	9,544,500	-	-	10,652,182	9,544,500
Public works and streets	5,815,449	5,698,308	-	-	5,815,449	5,698,308
Recreation and Culture	938,333	1,110,699	-	-	938,333	1,110,699
Economic development	1,403,320	1,042,221	-	-	1,403,320	1,042,221
Education	22,072,833	19,998,346	-	-	22,072,833	19,998,346
Interest on long-term debt	1,207,000	1,324,010	-	-	1,207,000	1,324,010
Water and Sewer	-	-	12,183,484	10,986,018	12,183,484	10,986,018
Electric Utility	-	-	60,346,969	62,513,432	60,346,969	62,513,432
Landfill	-	-	3,840,763	3,619,982	3,840,763	3,619,982
Stormwater Utility	-	-	1,146,369	1,108,997	1,146,369	1,108,997
Total expenses	<u>44,764,132</u>	<u>40,944,497</u>	<u>77,517,585</u>	<u>78,228,429</u>	<u>122,281,717</u>	<u>119,172,926</u>
Increase (decrease) in net position before transfers and other sources	(324,076)	6,819,275	1,697,637	3,088,382	1,373,561	9,907,657
Transfers-in-lieu of tax	<u>1,889,495</u>	<u>1,728,324</u>	<u>(1,889,495)</u>	<u>(1,728,324)</u>	-	-
Change in net position	1,565,419	8,547,599	(191,858)	1,360,058	1,373,561	9,907,657
Net position at beginning of year	11,856,838	16,029,663	60,144,566	59,560,593	72,001,404	75,590,256
Prior period adjustments:						
Pensions	-	(13,054,664)	-	(1,129,042)	-	(14,183,706)
Interest due from debt service	(924,436)	-	-	137,521	(924,436)	137,521
Investment income from ineffective hedging derivative instrument	-	334,240	-	215,436	-	549,676
Net position at end of year	<u>\$ 12,497,821</u>	<u>\$ 11,856,838</u>	<u>\$ 59,952,708</u>	<u>\$ 60,144,566</u>	<u>\$ 72,450,529</u>	<u>\$ 72,001,404</u>

City of Alcoa, Tennessee for the Fiscal Year Ended June 30, 2016



Governmental activities:

- Governmental activities increased the City governmental net position by \$640,983.
- Governmental activities revenue decreased by \$3.3 million over the prior year primarily due to a reduction in capital grants and contributions.
- Investment earnings increased by \$60,523.
- The General Fund departments demonstrated fiscal responsibility by under-spending the appropriated budget by \$563,099.

Business-type activities:

- Business-type activities decreased the City's net position by \$191,858, whereas the prior year had produced an increase in net position of \$583,973.
- The Electric Utility is the largest business-type activity of the City, with a total expense of \$60,346,969. The City of Alcoa is a distributor of electrical power that is purchased from the Tennessee Valley Authority (TVA) and then transmitted and sold by the City to its residential and commercial customers. In October 2006, TVA began adjusting the wholesale power costs to the City each quarter for a fuel cost adjustment (FCA), then in 2009 TVA changed the FCA from quarterly to monthly. These FCA cost adjustments are passed through in electric rate adjustments to the City's customers each month. The FCA can fluctuate the City's electric rates up or down each month. TVA, in October 2009, increased their base wholesale rate, as well as the FCA, by 20%.
- The Water and Sewer Utility ended the fiscal year with total expenses of \$12,183,484. Beginning July 1, 2009, the City had a rate increase for both water and sewer of 15%. During the 2009 fiscal year, the City initiated a special project to install three (3) sewer flow meters with the purpose to record and charge one of the City's largest commercial accounts. Based on studies, additional sewer revenues could be anticipated. The project, originally scheduled for completion by September 30, 2008, was put on hold due to issues with the flow meters. The project was completed and operational in January 2010. The Landfill Utility ended the fiscal year with total expenses of \$3,840,763 and ended with a net loss of \$44,373. This loss over the prior year ended June 30, 2015, was mainly due to less revenue generated from private haulers.
- The Stormwater Utility ended the fiscal year with total expenses of \$1,146,369 and ended with a net loss of \$84,881.
- Fees provide the largest share of revenues for all of the business-type activities.

FUND STATEMENTS FINANCIAL ANALYSIS

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.

(Continued)

Governmental funds (Continued)

As of the end of the fiscal year ended June 30, 2016, the City's governmental funds reported combined ending fund balances of \$14.5 million, a decrease of \$1.9 million from 2015. Approximately \$5.4 million or (37%) of this total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been restricted, committed, or assigned to (1) liquidate existing contracts and purchase orders, (2) to pay debt service, and (3) for other restricted purposes.

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 \$5.4 million while total fund balance was \$6.5 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 30% of total general fund expenditures of \$17.81 million. The increase in fund balance is due to higher than budgeted collections in the area of local sales tax, property tax, and penalties collected on property tax, etc.

The Education Fund is the operating fund for the Alcoa City Schools. As of June 30, 2016, the fund balance is \$1,184,448. The fund balance represents 6.4% of the schools total budget of \$18,633,000. The primary reason for the increase is the increase in local sales tax.

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 was from transfers made by the General Fund and Enterprise Funds. The assigned fund balance at June 30, 2016 is \$1,019,041 in the debt service fund.

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.

As of June 30, 2016, the Stormwater Utility net position totaled \$897,821. No major projects have been launched so a fund balance could be created to handle any future ventures. The Utility's expenses exceeded revenue and generated a net loss of \$84,881.

Net position for Water and Sewer Utility as of June 30, 2016 were \$19,017,902, a decrease of \$1,294,448 from 2015. The decrease was primarily due to a decrease of capital contributions to the Water and Sewer Utility.

Net position of the Electric Utility as of June 30, 2016 was \$37,506,308, an increase of \$1,231,844. The electric utility rates, as discussed earlier, were increased during the 2011 fiscal year by Tennessee Valley Authority. The rate increases were passed on to our customers. In addition, the City of Alcoa Electric implemented a local retail rate increase of 2.5% effective July 1, 2010. Expenditures during the current year were approximately \$2.16 million less than the prior year.

Net position of the Landfill Utility as of June 30, 2016 was \$2,530,677, a decrease of \$44,373 primarily due to less revenue generated from private haulers.

(Continued)

Budget Highlights – General Fund

The difference between the original budget and the final amended budget increased by \$170,000.

Significant difference (greater than \$100k) between the final amended budget and actual amounts can be summarized as follows:

The bulk of this increase related to the actual Electric Department in-lieu of tax actual coming in higher than expected. Tax revenues were increased \$170,000 in total and the corresponding spending side was increased \$135,000 in contributions to other agencies for the in-lieu of tax correction.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2016 and 2015 amount to \$214,041,141 and \$218,655,655 (net of accumulated depreciation), respectively. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress.

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
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,999,449	\$ 1,999,450	\$ 2,460,577	\$ 2,204,363	\$ 4,460,026	\$ 4,203,813
Buildings	63,810,989	29,672,905	89,870,676	87,731,404	153,681,665	117,404,309
Infrastructure	42,556,849	41,926,576	-	-	42,556,849	41,926,576
Improvements	15,641,029	15,631,085	61,449,901	58,752,375	77,090,930	74,383,460
Machinery and equipment	9,471,116	8,588,489	33,480,184	32,964,909	42,951,300	41,553,398
Capital lease property	9,894,150	10,094,911	-	-	9,894,150	10,094,911
Construction in progress	<u>1,185,161</u>	<u>33,924,400</u>	<u>1,775,606</u>	<u>5,419,619</u>	<u>2,960,767</u>	<u>39,344,019</u>
Total Capital Assets	144,558,743	141,837,816	189,036,944	187,072,670	333,595,687	328,910,486
Less: Accumulated Depreciation	<u>(47,593,859)</u>	<u>(43,667,792)</u>	<u>(71,960,687)</u>	<u>(66,587,039)</u>	<u>(119,554,546)</u>	<u>(110,254,831)</u>
Capital Assets, net of Depreciation	<u>\$ 96,964,884</u>	<u>\$ 98,170,024</u>	<u>\$117,076,257</u>	<u>\$120,485,631</u>	<u>\$ 214,041,141</u>	<u>\$ 218,655,655</u>

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

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

(Continued)

Capital Assets (Continued)

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.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$164.4 million. Of this amount, \$143.7 million are revenue bonds, general obligation bonds, and capital outlay notes backed by the full faith and credit of the City and \$9.2 million is estimated liability for Landfill closure and post closure costs and capital outlay notes. The remainder includes capital leases of \$9.5 million and compensated absences of \$1.8 million (See Note 6 – Long-Term Liabilities).

	Outstanding Long-Term Obligations					
	Governmental Activities		Business-Type Activities		Total	Total
	2016	2015	2016	2015	<u>2016</u>	<u>2015</u>
General Obligation/ Revenue Bonds	\$ 75,605,000	\$ 78,150,000	\$68,138,701	\$ 70,333,837	\$143,743,701	\$148,483,837
Capital leases	9,554,742	9,656,129	-	-	9,554,742	9,656,129
Compensated absences	911,933	974,749	957,760	1,241,066	1,869,693	2,215,815
Estimated liability for closure/post-closure care costs	-	-	9,218,798	8,777,906	9,218,798	8,777,906
Total long-term obligations	<u>\$ 86,071,675</u>	<u>\$ 88,780,878</u>	<u>\$78,315,259</u>	<u>\$ 80,352,809</u>	<u>\$164,386,934</u>	<u>\$169,133,687</u>

The City of Alcoa's total long-term debt decreased by a net of \$4,746,753 during the current fiscal year. The key factor to this decrease was due to the City refunded \$14,020 million during the year.

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 AND RATES

- According to the U.S. Bureau of Labor Statistics the unemployment rate for Blount County and thus the City of Alcoa is currently 4.3%. This is lower than the State's average unemployment rate of 4.8%.
- The commercial industry has improved in the past twelve months and the City believes it will continue to improve.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Alcoa's budget for the 2016 fiscal year. During the current fiscal year, the total unassigned fund balance in the general fund increased by \$1,213,198 primarily due to tax revenue increases and due to the overall economy upswing. The City of Alcoa has not appropriated any of this amount for spending in the 2016 fiscal year budget. The remaining budgets had very little, if any, changes from the prior year.

(Continued)

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, 2016

CITY OF ALCOA, TENNESSEE
STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Primary Government		Total	Total
	Governmental	Business-type	2016	2015
	Activities	Activities		
ASSETS:				
Cash and certificates of deposit.....	\$ 16,047,398	\$ 11,210,861	\$ 27,258,259	\$ 27,383,573
Investments	1,169,925	-	1,169,925	3,123,677
Property taxes receivable (net of allowance)	10,766,894	-	10,766,894	10,449,998
Other receivables (net of allowance)	1,234,954	10,442,650	11,677,604	11,822,012
Due from other governments	2,430,514	-	2,430,514	3,022,413
Accrued Interest	-	492	492	-
Inventories.....	-	1,421,113	1,421,113	1,178,379
Prepaid items.....	-	3,466,268	3,466,268	3,857,990
Restricted Assets:.....				
Cash and certificates of deposit.....	-	9,254,595	9,254,595	8,755,195
Capital Assets (Note 5):				
Non-depreciable assets	3,184,611	2,460,578	5,645,189	38,128,214
Depreciable assets, net of depreciation	83,886,123	114,615,679	198,501,802	170,519,527
Capital lease property	9,894,150	-	9,894,150	10,007,914
Total Capital Assets, net of Depreciation	96,964,884	117,076,257	214,041,141	218,655,655
Total Assets.....	128,614,569	152,872,236	281,486,805	288,248,892
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred State Regulatory Charges.....	-	1,239,456	1,239,456	1,130,197
Pension contributions after measurement date.....	1,496,320	1,322,023	2,818,343	2,596,569
Pension changes in experience	179,937	217,996	397,933	87,495
Changes in proportion of net pension asset	150,815	-	150,815	41,326
Accumulated change in fair value of interest rate swaps (Note 7)	1,152,297	6,831,101	7,983,398	5,932,041
Total Deferred Outflows of Resources	2,979,369	9,610,576	12,589,945	9,787,628
LIABILITIES:				
Accounts payable	3,218,034	10,888,800	14,106,834	15,981,805
Accrued liabilities	965,475	607,288	1,572,763	1,654,284
Customer deposits	-	1,880,863	1,880,863	1,654,990
Deferred revenue.....	949,287	-	949,287	907,992
Other liabilities	-	734,956	734,956	2,348,450
Long-term Liabilities:				
Due within one year (Note 6)	3,190,445	2,695,500	5,885,945	6,436,042
Due in more than one year (Note 6).....	82,881,230	67,935,772	150,817,002	153,919,739
Interest rate swap liability	1,152,297	6,831,101	7,983,398	5,932,041
Estimated liability – Landfill closure/ Postclosure (Note 6).....	-	9,218,798	9,218,798	8,777,906
Net unfunded pension liability (Note 8)	13,747,747	1,002,052	14,749,799	12,991,605
Post-employment benefit obligation (Note 8).....	1,204,555	-	1,204,555	940,495
Total Liabilities	107,309,070	101,795,130	209,104,200	211,545,349
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue – property tax	10,014,628	-	10,014,628	9,681,393
Pension changes in experience	1,464,755	37,150	1,501,905	20,611
Pension changes in investment earnings	307,664	597,824	905,488	4,787,763
Bond Deferral	-	100,000	100,000	-
Total Deferred Inflows of Resources	11,787,047	734,974	12,522,021	14,489,767
NET POSITION:				
Net investment in capital assets, (Note 19)	18,305,142	-	67,542,698	68,833,999
Restricted for:				
General Fund	1,112,451	49,237,556	1,112,451	1,005,526
Special Revenue Funds:				
Education	1,373,349	-	1,373,349	1,252,804
Streets	659,038	-	659,038	531,839
Drug Enforcement.....	18,415	-	18,415	15,250
Vehicle enforcement	1,639	-	1,639	1,520
Capital Projects:				
Capital Projects	929,553	-	929,553	453,048
Education	375,667	-	375,667	1,259,374
Public Works/Safety	3,611,429	-	3,611,429	4,773,441
Debt Service	1,019,041	-	1,019,041	2,945,179
Property Acquisitions	-	1,264,653	1,264,653	1,477,123
Unrestricted (deficit).....	(14,907,903)	9,450,499	(5,457,404)	(10,547,699)
Total Net Position.....	\$ 12,497,821	\$ 59,952,708	\$ 72,450,529	\$ 72,001,404

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total 2016	Total 2015
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government.....	\$ 2,675,015	\$ 675,592	\$ 31,441	\$ -	\$ (1,967,982)	\$ -	\$ (1,967,982)	\$ (1,782,137)
Public Safety	10,652,182	663,174	40,800	-	(9,948,208)	-	(9,948,208)	(9,024,754)
Public Works	5,815,449	433,611	231,557	1,385,336	(3,764,945)	-	(3,764,945)	29,462
Economic Development	1,403,320	18,986	-	-	(1,384,334)	-	(1,384,334)	(1,030,672)
Education	22,072,833	603,372	9,914,913	-	(11,554,548)	-	(11,554,548)	(9,423,669)
Culture and Recreation	938,333	-	-	-	(938,333)	-	(938,333)	(1,090,999)
Interest on long-term debt	1,207,000	-	-	-	(1,207,000)	-	(1,207,000)	(1,324,010)
Total Governmental Activities	44,764,132	2,394,735	10,218,711	1,385,336	(30,765,350)	-	(30,765,350)	(23,646,779)
Business-Type Activities:								
Landfill.....	3,840,763	3,635,050	153,261	-	-	(52,452)	(52,452)	(10,132)
Electric	60,346,969	63,062,563	-	-	-	2,715,594	2,715,594	1,687,716
Water/Sewer Utility	12,183,484	11,251,858	-	33,849	-	(897,777)	(897,777)	1,476,885
Stormwater Utility	1,146,369	1,061,473	-	-	-	(84,896)	(84,896)	(73,409)
Total Business-type Activities	77,517,585	79,010,944	153,261	33,849	-	1,680,469	1,680,469	3,081,060
Total Primary Government.....	\$ 122,281,717	\$ 81,405,679	\$ 10,371,972	\$ 1,419,185	(30,765,350)	1,680,469	(29,084,881)	(20,565,719)
General Revenues:								
Taxes, net of related credits:								
Property tax					13,744,696	-	13,744,696	13,734,216
Sales tax					14,142,755	-	14,142,755	14,520,112
State income and excise tax					135,244	-	135,244	95,095
Business taxes/licenses					942,515	-	942,515	897,280
In-lieu-of taxes					297,331	-	297,331	371,954
Miscellaneous taxes					1,061,384	-	1,061,384	790,571
Investment earnings					117,349	17,168	134,517	64,148
Transfers – In-lieu-of-tax payments					1,889,495	(1,889,495)	-	-
Total General Revenues and Transfers					32,330,769	(1,872,327)	30,458,442	30,473,376
Change in Net Position					1,565,419	(191,858)	1,373,561	9,907,657
Net Position – Beginning					11,856,838	60,144,566	72,001,404	75,590,256
Prior Period Adjustment to Net Position:								
Pensions (Note 8)					-	-	-	(14,183,706)
Interest due from Debt Service (Note 7)					(924,436)	-	(924,436)	137,521
Investment income from ineffective hedging derivative instrument (Note 7)					-	-	-	549,676
Adjusted Net Position - Beginning					10,932,402	60,144,566	71,076,968	62,093,747
Net Position – Ending					\$ 12,497,821	\$59,952,708	\$72,450,529	\$72,001,404

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FUND FINANCIAL STATEMENTS
June 30, 2016

CITY OF ALCOA, TENNESSEE
BALANCE SHEET
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

<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>School Construction & Improvement Fund</u>	<u>Alcoa High School Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2016</u>	<u>2015</u>
Assets:									
Cash and cash equivalents	\$ 4,283,741	\$ 1,409,422	\$ 2,492,028	\$ 3,468,029	\$ 104,339	\$ 68,905	\$ 2,076,020	\$ 13,902,484	\$ 12,846,757
Investments and certificates of deposit	1,002,746	-	-	-	-	167,179	-	1,169,925	2,820,701
Tennessee Local Government									
Investment Pool	-	-	-	-	-	-	-	-	302,976
Receivables:									
Sales Taxes	1,775,374	441,002	-	-	-	-	-	2,216,376	1,738,656
Property Taxes (net of allowance for uncollectible taxes)	10,766,894	-	-	-	-	-	-	10,766,894	10,449,998
Accounts	535,153	140,499	-	-	2,500	35,000	153,308	866,460	2,164,959
Note	-	-	-	-	-	-	-	-	1,982
Prepaid expenditures	-	2,222	-	-	-	-	44,937	2,222	-
Due from other governments	-	8,332	-	130,305	-	-	-	183,574	137,876
Due from grantors	-	-	-	30,564	-	-	-	30,564	1,145,881
Due from other funds	-	-	-	-	-	-	-	-	69,550
Total Assets	18,363,908	2,001,477	2,492,028	3,628,898	106,839	271,084	2,274,265	29,138,499	31,679,336
Deferred Outflows of Resources.....	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources.....	<u>\$18,363,908</u>	<u>\$ 2,001,477</u>	<u>\$ 2,492,028</u>	<u>\$ 3,628,898</u>	<u>\$ 106,839</u>	<u>\$ 271,084</u>	<u>\$ 2,274,265</u>	<u>\$ 29,138,499</u>	<u>\$ 31,679,336</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>									
Liabilities:									
Accounts payable.....	\$ 758,596	\$ 161,560	\$ 1,472,987	\$ 17,469	\$ 1,586	\$ 670	\$ 339,688	\$ 2,752,556	\$ 3,731,650
Due to other funds	-	-	-	-	-	-	-	-	69,550
Accrued payroll	411,681	-	-	-	-	-	-	411,681	317,850
Due to State of Tennessee.....	-	451,837	-	-	-	-	-	451,837	499,051
Deferred revenue	710,581	192,771	-	-	-	-	140	903,492	794,768
Deferred grant revenue	-	-	-	-	-	-	45,795	45,795	113,224
Due to Blount County	-	10,861	-	-	-	-	91,096	101,957	91,096
Total Liabilities.....	<u>1,880,858</u>	<u>817,029</u>	<u>1,472,987</u>	<u>17,469</u>	<u>1,586</u>	<u>670</u>	<u>476,719</u>	<u>4,667,318</u>	<u>5,617,189</u>
Deferred Inflows of Resources:									
Deferred Revenue – Property tax.....	10,014,628	-	-	-	-	-	-	10,014,628	9,681,393
See accompanying independent auditors' report and notes.									

(Continued)

CITY OF ALCOA, TENNESSEE
BALANCE SHEET (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>General Obligation Public Works Construction</u>	<u>School Construction & Improvement Fund</u>	<u>Alcoa High School Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2016</u>	<u>2015</u>
Fund Balances:									
Restricted	165,441	-	-	3,611,429	-	-	788,594	4,565,464	5,472,148
Assigned.....	947,010	1,184,448	1,019,041	-	105,253	270,414	1,008,952	4,535,118	6,765,833
Unassigned.....	<u>5,355,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,355,971</u>	<u>4,142,773</u>
 Total Fund Balances	<u>6,468,422</u>	<u>1,184,448</u>	<u>1,019,041</u>	<u>3,611,429</u>	<u>105,253</u>	<u>270,414</u>	<u>1,797,546</u>	<u>14,456,553</u>	<u>16,380,754</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$18,363,908</u>	<u>\$ 2,001,477</u>	<u>\$2,492,028</u>	<u>\$ 3,628,898</u>	<u>\$ 106,839</u>	<u>\$ 271,084</u>	<u>\$ 2,274,265</u>	<u>\$ 29,138,799</u>	<u>\$ 31,679,336</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

		<u>2016</u>	<u>2015</u>
Fund Balances – Total Governmental Funds		\$ 14,456,553	\$ 16,380,754
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>2016</u> <u>\$ 96,964,884</u>	<u>2015</u> <u>\$ 98,170,024</u>	96,964,884 98,170,024
(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.		1,679,436	1,161,240
(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>2016</u> \$ 75,605,000	<u>2015</u> 78,150,000	
Compensated absences	911,933	974,749	
Capital Leases	<u>9,554,742</u>	<u>9,650,129</u>	
	<u>\$ 86,071,675</u>	<u>\$ 88,780,878</u>	(86,071,675) (88,780,878)
(4) The General pension plan liabilities are not due and payable in the current period and are not reported in the government funds.		(13,747,747)	(12,354,181)
(5) Net OPEB Obligation – current year funding for the City’s postemployment benefits was required as follows:			
Amount funded	\$ 220,944	\$ 95,593	
Required	<u>(328,050)</u>	<u>(374,493)</u>	
OPEB Excess (Liability)	(107,106)	(289,900)	
OBEP Obligation – beginning of year	<u>(437,253)</u>	<u>(158,353)</u>	
OPEB Obligation – end of year	<u>\$ (544,359)</u>	<u>\$ (437,253)</u>	(544,359) (437,253)
(6) OPEB Obligation – Education (not reported in the governmental fund)		(660,196)	(503,242)
(7) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: Deferred outflows related to pensions	\$ 1,827,072		
Less: Deferred inflows related to pensions	<u>(1,772,419)</u>		
	<u>\$ 54,653</u>	54,653	(2,113,866)
(8) Investment income from ineffective hedging derivative instrument		32,032	-
(9) Prior period adjustment:			
Investment income from ineffective hedging derivative instrument		<u>334,240</u>	<u>334,240</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 12,497,821</u>	<u>\$ 11,856,838</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Education Fund</u>	<u>Debt Service Fund</u>	<u>General Obligation Public Works Construction</u>	<u>School Construction & Improvement Fund</u>	<u>Alcoa High School Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2016</u>	<u>2015</u>
Revenues:									
Taxes.....	\$ 17,353,083	\$ 7,805,675	\$ -	\$ -	\$ -	\$ -	\$ 231,557	\$25,390,315	\$ 26,555,861
Licenses, permits and fees	141,755	-	-	-	-	-	-	141,755	222,483
Intergovernmental.....	2,078,704	10,585,949	-	1,385,336	-	-	1,724,893	15,774,882	18,300,151
Charges for services	326,211	-	-	-	-	-	593,889	920,100	834,269
Fines, forfeitures and costs	639,374	-	-	-	-	-	23,800	663,174	517,539
Property rental	153,336	-	-	-	-	-	-	153,336	143,388
Investment income.....	6,109	-	12,543	52,074	-	9,689	4,902	85,317	56,826
Miscellaneous revenue	364,119	300,492	-	-	-	-	-	664,611	469,567
Donations	1,250	-	-	-	170,000	35,000	-	206,250	192,664
Sale of property/equipment	23,588	-	-	-	-	-	-	23,588	96,440
Total Revenues	<u>21,087,529</u>	<u>18,692,116</u>	<u>12,543</u>	<u>1,437,410</u>	<u>170,000</u>	<u>44,689</u>	<u>2,579,041</u>	<u>44,023,328</u>	<u>47,389,188</u>
Expenditures:									
Current:									
General government	1,665,434	-	-	-	-	-	-	1,665,434	1,740,661
Public Safety	9,246,339	-	-	-	-	-	20,516	9,266,855	9,126,797
Public Works	4,910,640	-	-	-	-	-	129,176	5,039,816	4,974,584
Education.....	-	18,545,764	-	-	-	-	1,963,702	20,509,466	18,833,640
Recreation and Culture	586,168	-	-	-	-	-	199,597	785,765	851,898
Community Development.....	1,403,320	-	-	-	-	-	-	1,403,320	1,042,221
Capital Outlay/Capital Assets/ Capital Leases.....	-	-	-	1,399,422	172,918	925,478	829,869	3,327,687	24,902,807
Debt Service:									
Principal Retirement	-	-	5,560,136	-	-	-	-	5,560,136	5,269,964
Interest and Fiscal Charges	-	-	3,949,082	-	-	-	-	3,949,082	4,003,952
Total Expenditures.....	<u>17,811,901</u>	<u>18,545,764</u>	<u>9,509,218</u>	<u>1,399,422</u>	<u>172,918</u>	<u>925,478</u>	<u>3,142,860</u>	<u>51,507,561</u>	<u>70,746,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	<u>3,275,628</u>	<u>146,352</u>	<u>(9,496,675)</u>	<u>37,988</u>	<u>(2,918)</u>	<u>(880,789)</u>	<u>(563,819)</u>	<u>(7,484,233)</u>	<u>(23,357,336)</u>

(Continued)

CITY OF ALCOA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Education</u>	<u>Debt Service</u>	<u>General Obligation Public Works Construction</u>	<u>School Construction and Improvement Fund</u>	<u>Alcoa High School Construction Fund</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
								<u>2016</u>	<u>2015</u>
Other Financing Sources (Uses):									
Transfers to other funds	(3,900,000)	(55,000)	-	(1,200,000)	-	-	-	(5,155,000)	(5,230,883)
Transfer from other funds	55,000	-	8,494,973	-	-	-	1,200,000	9,749,973	10,969,065
Payments in lieu of taxes	1,889,495	-	-	-	-	-	-	1,889,495	1,728,324
Issuance of debt	-	-	-	-	-	-	-	-	9,995,000
Bond premium	-	-	-	-	-	-	-	-	176,654
Total Other Financing Sources (Uses)	<u>(1,955,505)</u>	<u>(55,000)</u>	<u>8,494,973</u>	<u>(1,200,000)</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>6,484,468</u>	<u>17,638,160</u>
Net Change in Fund Balance	1,320,123	91,352	(1,001,702)	(1,162,012)	(2,918)	(880,789)	636,181	(999,765)	(5,719,176)
Fund Balance, July 1 st , previously stated	<u>5,148,299</u>	<u>1,093,096</u>	<u>2,945,179</u>	<u>4,773,441</u>	<u>108,171</u>	<u>1,151,203</u>	<u>1,161,365</u>	<u>16,380,754</u>	<u>22,099,930</u>
Prior period adjustment (Note 7)	-	-	(924,436)	-	-	-	-	(924,436)	-
Fund Balance at Beginning of Year, restated	<u>5,148,299</u>	<u>1,093,096</u>	<u>2,020,743</u>	<u>4,773,441</u>	<u>108,171</u>	<u>1,151,203</u>	<u>1,161,365</u>	<u>15,456,318</u>	<u>22,099,930</u>
Fund Balance, June 30th	<u>\$ 6,468,422</u>	<u>\$ 1,184,448</u>	<u>\$ 1,019,041</u>	<u>\$ 3,611,429</u>	<u>\$ 105,253</u>	<u>\$ 270,414</u>	<u>\$ 1,797,546</u>	<u>\$ 14,456,553</u>	<u>\$ 16,380,754</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances – Total Governmental Funds:	\$ (999,765)	\$ (5,719,176)
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>2016</u>	<u>2015</u>
Capital Outlay	\$ 5,378,892	\$ 24,838,455
Depreciation	<u>(3,988,421)</u>	<u>(2,982,186)</u>
	<u>\$ 1,390,471</u>	<u>\$ 21,856,269</u>
	1,390,471	21,856,269
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>2016</u>	<u>2015</u>
New Leases	\$ -	\$ -
Payments	<u>(101,387)</u>	<u>(146,266)</u>
	<u>\$ (101,387)</u>	<u>\$ (146,266)</u>
	101,387	146,266
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>2016</u>	<u>2015</u>
Bonds issued	\$ 4,310,000	\$ 18,995,000
Retired	<u>(6,855,000)</u>	<u>(13,594,964)</u>
	<u>\$ (2,545,000)</u>	<u>\$ 5,400,036</u>
	2,545,000	(5,400,036)
4) The net revenues (expenditures) of internal service funds activities are reported with governmental activities.		
	384,696	197,930
5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental fund:		
a. OPEB Obligation – Education	(660,196)	(503,242)
b. OPEB Obligation – City	(544,359)	(437,253)
c. Unfunded Pension obligation	(13,747,747)	(12,354,181)
d. Change in compensated absences	(62,816)	229,059
e. Change in construction in-progress	<u>13,158,748</u>	<u>10,531,963</u>
Changes in Net Position of Governmental Activities	<u>\$ 1,565,419</u>	<u>\$ 8,547,599</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, 2016
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>		<u>Actual</u>	<u>Variance with</u>	<u>June 30,</u>
	<u>Budgeted Amounts</u>		<u>Amounts</u>	<u>Final Budget</u>	<u>2015</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Positive</u>	<u>Actual</u>
			<u>Basis)</u>	<u>(Negative)</u>	
REVENUES:					
Taxes	\$ 16,287,316	\$ 16,457,316	\$ 17,353,083	\$ 895,767	\$ 18,487,401
Licenses and permits	165,900	165,900	141,755	(24,145)	139,093
Fines and forfeits	540,512	540,512	639,374	98,862	488,599
Intergovernmental.....	1,981,500	1,981,500	2,078,704	97,204	1,989,248
Interest earned	1,500	1,500	6,109	4,609	-
Public works, labor and material	334,900	334,900	326,211	(8,689)	304,002
Miscellaneous	18,000	18,000	35,538	17,538	27,886
CATV franchise fee.....	83,750	83,750	94,817	11,067	90,233
Property rental	144,500	144,500	153,336	8,836	143,388
Department services	130,100	130,100	137,569	7,469	78,711
Fees development	20,000	20,000	18,986	(1,014)	11,549
Insurance refunds.....	9,000	9,000	6,537	(2,463)	8,838
Sale of property	30,307	30,307	23,588	(6,719)	92,875
Special events	-	-	-	-	19,700
Private grants.....	25,000	25,000	18,200	(6,800)	-
Disaster recovery	-	-	52,472	52,472	-
Contributions and donations – business ..	-	-	1,250	1,250	-
Total Revenues	<u>19,772,285</u>	<u>19,942,285</u>	<u>21,087,529</u>	<u>1,145,244</u>	<u>21,881,523</u>
EXPENDITURES:					
General government	1,691,129	1,691,129	1,665,434	25,695	1,740,661
Public works	5,097,403	5,137,403	4,910,640	226,763	4,894,927
Public safety – Police	5,734,037	5,734,037	5,604,856	129,181	5,374,846
Public safety – Fire.....	3,746,361	3,746,361	3,641,483	104,878	3,716,723
Contributions and grants to other agencies	<u>1,936,070</u>	<u>2,066,070</u>	<u>1,989,488</u>	<u>76,582</u>	<u>1,825,277</u>
Total Expenditures.....	<u>18,205,000</u>	<u>18,375,000</u>	<u>17,811,901</u>	<u>563,099</u>	<u>17,552,434</u>
Excess of Revenues Over					
Expenditures	<u>1,567,285</u>	<u>1,567,285</u>	<u>3,275,628</u>	<u>1,708,343</u>	<u>4,329,089</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>June 30,</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	<u>2015</u>
			<u>(Budgetary</u>	<u>Positive</u>	<u>Actual</u>
			<u>Basis)</u>	<u>(Negative)</u>	
OTHER FINANCING SOURCES (USES):					
Operating transfers in (out):					
Payments in lieu of taxes	1,688,000	1,688,000	1,889,495	201,495	1,728,324
Debt Service	(3,900,000)	(3,900,000)	(3,900,000)	-	(4,625,000)
Capital Projects	-	-	-	-	(57,383)
Resource Officer	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,157,000)</u>	<u>(2,157,000)</u>	<u>(1,955,505)</u>	<u>201,495</u>	<u>(2,954,059)</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses.....	<u>(589,715)</u>	<u>(589,715)</u>	<u>1,320,123</u>	<u>1,909,838</u>	<u>1,375,030</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>5,148,299</u>	<u>5,148,299</u>	<u>5,148,299</u>	<u>-</u>	<u>3,773,269</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,558,584</u>	<u>\$ 4,558,584</u>	<u>\$ 6,468,422</u>	<u>\$ 1,909,838</u>	<u>\$ 5,148,299</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>June 30,</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	<u>2015</u>
			<u>(Budgetary</u>	<u>Positive</u>	<u>Actual</u>
			<u>Basis)</u>	<u>(Negative)</u>	
Revenues:					
Taxes	\$ 7,720,000	\$ 7,881,000	\$ 7,805,675	\$ (75,325)	\$ 7,841,899
Miscellaneous	2,766,900	2,871,900	2,972,724	100,824	2,419,904
Revenue from other agencies	<u>7,696,100</u>	<u>7,880,100</u>	<u>7,913,717</u>	<u>33,617</u>	<u>7,502,310</u>
Total Revenues	<u>18,183,000</u>	<u>18,633,000</u>	<u>18,692,116</u>	<u>59,116</u>	<u>17,764,113</u>
Expenditures:					
Board of Education	241,374	303,374	303,285	89	264,826
Office of the Superintendent	156,412	156,075	155,068	1,007	154,425
Office of Principals	933,179	1,365,886	1,365,583	303	1,015,054
Fiscal services	153,932	170,140	169,750	390	171,247
Transportation	254,581	238,574	238,058	516	274,699
Instruction/Elementary/Secondary	10,106,171	9,958,220	9,957,339	881	9,751,776
Instruction – Regular	456,894	461,353	461,091	262	425,882
Other student support	390,498	446,190	445,540	650	437,171
Health services	186,213	191,597	191,001	596	220,461
Operation of plant	1,120,531	1,505,003	1,504,923	80	1,104,114
Maintenance of plant	585,521	842,467	842,375	92	755,767
Food services	56,712	56,919	56,269	650	55,055
Capital outlay	225,000	21,200	21,108	92	19,586
Special education	1,148,427	1,369,196	1,347,028	22,168	1,114,120
Vocational education	305,317	321,994	320,020	1,974	310,208
Lottery Pre-K	224,189	268,590	267,682	908	226,217
Central and other	437,244	641,711	641,070	641	472,294
Human services	162,785	183,132	182,819	313	134,971
Family Resource Center	<u>105,020</u>	<u>76,379</u>	<u>75,755</u>	<u>624</u>	<u>93,777</u>
Total Expenditures	<u>17,250,000</u>	<u>18,578,000</u>	<u>18,545,764</u>	<u>32,236</u>	<u>17,001,650</u>
Excess (Deficiency) of Revenues Over Expenditures	933,000	55,000	146,352	91,352	762,463
Other Financing Sources (Uses):					
Transfer to General Fund	-	(55,000)	(55,000)	-	-
Transfer to School OPEB Insurance Fund ..	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,500)</u>
Net Change in Fund Balance	933,000	-	91,352	91,352	693,963
Fund Balance at Beginning of Year	<u>1,093,096</u>	<u>1,093,096</u>	<u>1,093,096</u>	<u>-</u>	<u>399,133</u>
Fund Balance at End of Year	<u>\$ 2,026,096</u>	<u>\$ 1,093,096</u>	<u>\$ 1,184,448</u>	<u>\$ 91,352</u>	<u>\$ 1,093,096</u>

See accompanying independent auditors' report and notes.

**CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2016
With Comparative Totals for June 30, 2015**

	Business-Type Activities – Enterprise Funds						Governmental Activities	
	2016						Internal Service Funds	
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2015 Total	2016	2015
ASSETS								
Current Assets:								
Cash in bank/Certificate of deposit	\$ 592,672	\$ 4,262,113	\$ 4,930,340	\$ 1,425,736	\$ 11,210,861	\$ 12,901,178	\$ 2,144,914	\$ 1,635,638
Accounts receivable – Net.....	99,056	1,870,204	5,783,663	711,031	8,463,954	7,214,128	-	4,900
Accrued interest	-	-	492	-	492	-	-	-
Inventory	-	829,018	592,095	-	1,421,113	1,178,379	-	-
Prepaid TVA Power Invoice Program.....	-	-	3,466,268	-	3,466,268	3,857,990	-	-
Total Current Assets.....	<u>691,728</u>	<u>6,961,335</u>	<u>14,772,858</u>	<u>2,136,767</u>	<u>24,562,688</u>	<u>25,151,675</u>	<u>2,144,914</u>	<u>1,640,538</u>
NonCurrent Assets:								
Capital Assets:								
Nondepreciable:								
Land and easements	-	1,194,236	336,481	929,861	2,460,578	2,204,364	-	-
Construction in progress.....	-	-	1,775,606	-	1,775,606	5,419,619	-	-
Plant and equipment – depreciable.....	654,516	85,452,251	84,982,078	13,711,915	184,800,760	179,448,687	-	-
Accumulated depreciation	<u>(378,840)</u>	<u>(27,709,800)</u>	<u>(34,736,752)</u>	<u>(9,135,295)</u>	<u>(71,960,687)</u>	<u>(66,587,039)</u>	-	-
Net Capital Assets.....	<u>275,676</u>	<u>58,936,687</u>	<u>52,357,413</u>	<u>5,506,481</u>	<u>117,076,257</u>	<u>120,485,631</u>	-	-
Other NonCurrent Assets:								
Receivables from customers for conservation loans/back utilities.....	-	-	1,978,696	-	1,978,696	2,101,803	-	-
Cash in bank – Restricted.....	-	-	-	4,254,595	4,254,595	5,548,994	-	-
Investments – Certificates of deposits - restricted for construction.....	-	-	-	5,000,000	5,000,000	3,206,201	-	-
Total Other NonCurrent Assets.....	-	-	1,978,696	9,254,595	11,233,291	10,856,998	-	-
TOTAL ASSETS.....	<u>967,404</u>	<u>65,898,022</u>	<u>69,108,967</u>	<u>16,897,843</u>	<u>152,872,236</u>	<u>156,494,304</u>	<u>2,144,914</u>	<u>1,640,538</u>
DEFERRED OUTFLOWS OF RESOURCES:								
Deferred state regulatory charges	-	313,657	395,799	-	709,456	1,130,197	-	-
Pension deferrals	104,809	485,087	742,381	207,742	1,540,019	867,902	-	-
Deferred amount on refunding	-	530,000	-	-	530,000	-	-	-
Accumulated change in fair value of hedging derivatives	-	2,894,952	-	3,936,149	6,831,101	4,814,288	-	-
Total Deferred Outflows of Resources....	<u>104,809</u>	<u>4,223,696</u>	<u>1,138,180</u>	<u>4,143,891</u>	<u>9,610,576</u>	<u>6,812,387</u>	-	-

See accompanying independent auditors' report and notes.

(Continued)

**CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION (Continued)
June 30, 2016
With Comparative Totals for June 30, 2015**

	Business-Type Activities – Enterprise Funds					Governmental Activities		
	2016					Internal Service Funds		
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2015 Total	2016	2015
LIABILITIES								
Current Liabilities:								
Accounts payable.....	13,204	745,921	10,004,663	125,012	10,888,800	12,159,059	278	12,562
Medical claims payable.....	-	-	-	-	-	-	465,000	466,736
Other accrued payables.....	15,166	81,827	473,345	36,950	607,288	358,085	-	-
Bonds payable – current.....	-	925,000	815,000	795,000	2,535,000	1,670,000	-	-
Customer deposits.....	-	-	1,880,863	-	1,880,863	1,654,990	-	-
Compensated absences.....	42,975	196,967	404,245	90,769	734,956	784,995	-	-
Revolving loan payable – current	-	160,500	-	-	160,500	940,136	-	-
Total Current Liabilities.....	71,345	2,110,215	13,578,116	1,047,731	16,807,407	17,567,265	465,478	479,298
Long-Term Liabilities:								
Compensated absences.....	-	49,242	150,870	22,692	222,804	456,071	-	-
Bonds payable.....	-	42,290,000	15,950,000	3,965,000	62,205,000	64,325,000	-	-
Estimated liability for Landfill closure and postclosure care costs	-	-	-	9,218,798	9,218,798	8,777,906	-	-
Revolving loan payable.....	-	-	-	-	-	3,398,701	-	-
Capital lease payable	-	3,238,201	-	-	3,238,201	314,551	-	-
Advances – TVA Conservation Loans.....	-	-	2,097,225	-	2,097,225	2,207,353	-	-
Deferred Credits.....	-	-	172,542	-	172,542	141,097	-	-
Derivatives – Interest Rate Swap	-	2,894,952	-	3,936,149	6,831,101	4,814,288	-	-
Net pension liability	51,393	321,843	491,459	137,357	1,002,052	322,873	-	-
Total Long-Term Liabilities.....	51,393	48,794,238	18,862,096	17,279,996	84,987,723	84,757,840	-	-
TOTAL LIABILITIES.....	122,738	50,904,453	32,440,212	18,327,727	101,795,130	102,325,105	465,478	479,298
DEFERRED INFLOWS OF RESOURCES								
Pension deferrals.....	51,654	199,363	300,627	83,330	634,974	837,020	-	-
Bond deferral	-	-	-	100,000	100,000	-	-	-
Total Deferred Inflows of Resources ...	51,654	199,363	300,627	183,330	734,974	837,020	-	-
NET POSITION:								
Unrestricted.....	622,145	6,394,916	1,913,895	519,543	9,450,499	8,477,339	1,679,436	1,161,240
Restricted for property acquisitions	-	-	-	1,264,653	1,264,653	1,477,123	-	-
Net investment in capital assets	275,676	12,622,986	35,592,413	746,481	49,237,556	50,190,104	-	-
TOTAL NET POSITION.....	\$ 897,821	\$ 19,017,902	\$ 37,506,308	\$ 2,530,677	\$ 59,952,708	\$ 60,144,566	\$ 1,679,436	\$ 1,161,240

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds					2015 Total	Governmental Activities	
	2016						Internal Service Funds	
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total		2016	2015
Operating Revenues:								
Charges for services.....	\$ 1,061,473	\$ 11,184,316	\$ 61,292,276	\$ 3,623,435	\$ 77,161,500	\$ 78,256,513	\$ 5,476,857	\$ 5,462,115
Forfeited discounts	-	-	406,977	-	406,977	436,879	-	-
Miscellaneous revenues	-	21,490	1,360,883	41	1,382,414	860,359	-	568
Total Operating Revenues.....	<u>1,061,473</u>	<u>11,205,806</u>	<u>63,060,136</u>	<u>3,623,476</u>	<u>78,950,891</u>	<u>79,553,751</u>	<u>5,476,857</u>	<u>5,462,683</u>
Operating Expenses:								
Medical claims paid.....	-	-	-	-	-	-	3,348,735	3,519,804
Insurance premiums/administration	-	-	-	-	-	-	1,743,426	1,430,848
Administrative	307,168	768,786	3,270,129	400,472	4,746,555	4,545,523	-	-
Accounting and collections.....	-	852,186	-	-	852,186	775,014	-	-
Supervision	-	307,044	-	-	307,044	276,192	-	-
Water plant operation	-	1,522,777	-	-	1,522,777	1,502,677	-	-
Distribution and transmission	-	865,959	1,451,869	-	2,317,828	2,134,380	-	-
Meter reading and repair.....	-	638,021	-	-	638,021	596,592	-	-
Water maintenance	-	253,161	-	-	253,161	229,829	-	-
Sewage collection/disposal/pumping	-	518,089	-	-	518,089	339,145	-	-
Customer accounts.....	-	2,197,113	1,498,989	-	3,696,102	3,751,244	-	-
Purchased power	-	-	48,603,739	-	48,603,739	51,078,680	-	-
Landfill operation	-	-	-	2,278,784	2,278,784	2,293,443	-	-
Environmental compliance	-	111,684	-	135,121	246,805	244,254	-	-
Depreciation	71,321	2,527,880	2,723,872	759,653	6,082,726	5,667,027	-	-
Operations and maintenance	679,000	-	2,602,817	-	3,281,817	3,014,052	-	-
Street cleaning	88,880	-	-	-	88,880	89,326	-	-
Special projects.....	-	55,328	-	-	55,328	233	-	-
Service center operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,101</u>
Total Operating Expenses	<u>1,146,369</u>	<u>10,618,028</u>	<u>60,151,415</u>	<u>3,574,030</u>	<u>75,489,842</u>	<u>76,537,611</u>	<u>5,092,161</u>	<u>5,264,753</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds						Governmental Activities	
	2016						Internal Service Funds	
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2015 Total	2016	2015
Operating Income (loss)	(84,896)	587,778	2,908,721	49,446	3,461,049	3,016,140	384,696	197,930
Other Income (Expense):								
Grant.....	-	-	-	153,261	153,261	75,718	-	-
Other income (expense).....	-	46,052	2,427	11,574	60,053	66,281	-	-
Amortization expense.....	-	(321,114)	(26,387)	(73,895)	(421,396)	(67,793)	-	-
Interest expense	-	(1,244,342)	(169,167)	(192,838)	(1,606,347)	(1,619,891)	-	-
Interest income	15	3,329	5,745	8,079	17,168	7,322	-	-
Total Other Income (Expense).....	15	(1,516,075)	(187,382)	(93,819)	(1,797,261)	(1,538,363)	-	-
Net Income (loss) Before Contributions and Transfers.....	(84,881)	(928,297)	2,721,339	(44,373)	1,663,788	1,477,777	384,696	197,930
Transfers In (Out).....	-	-	-	-	-	-	133,500	133,500
Capital Contributions.....	-	33,849	-	-	33,849	1,610,605	-	-
Payments in Lieu of Taxes	-	(400,000)	(1,489,495)	-	(1,889,495)	(1,728,324)	-	-
Change in Net Position	(84,881)	(1,294,448)	1,231,844	(44,373)	(191,858)	1,360,058	518,196	331,430
Net Position – Beginning, as previously reported	982,702	20,312,350	36,274,464	2,575,050	60,144,566	59,560,593	1,161,240	829,810
Prior period adjustment:								
Pensions (Note 8).....	-	-	-	-	-	(1,129,042)	-	-
Derivative income (Note 7)	-	-	-	-	-	215,436	-	-
Interest due from debt service (Note 7)	-	-	-	-	-	137,521	-	-
Net Position – Beginning, as restated	982,702	20,312,350	36,274,464	2,575,050	60,144,566	58,784,508	1,162,240	-
Net Position – Ending	\$ 897,821	\$ 19,017,902	\$ 37,506,308	\$ 2,530,677	\$ 59,952,708	\$ 60,144,566	\$ 1,679,436	\$ 1,161,240

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities</u>		
	<u>2016</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>2015 Total</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers/employees' insurance	\$ 962,432	\$10,100,471	\$63,132,532	\$ 3,674,483	\$ 77,869,918	\$ 80,363,622	\$ 5,481,757	\$ 5,462,683
Cash payments to suppliers for goods and services/ medical claims	(452,615)	(5,612,514)	(54,806,151)	(1,762,637)	(62,633,917)	(63,601,195)	(5,105,981)	(5,085,086)
Cash payments to employees for services.....	(681,889)	(2,336,167)	(3,934,728)	(913,982)	(7,866,766)	(6,879,322)	-	-
Net Cash Flows From Operating Activities	<u>(172,072)</u>	<u>2,151,790</u>	<u>4,391,653</u>	<u>997,864</u>	<u>7,369,235</u>	<u>9,883,105</u>	<u>375,776</u>	<u>377,597</u>
CASH FLOWS FROM NON-CAPITAL								
FINANCING ACTIVITIES:								
Transfers out – in lieu of taxes.....	-	(400,000)	(1,489,495)	-	(1,889,495)	(1,728,324)	-	-
Closure/postclosure payments	-	-	-	440,892	440,892	529,544	-	-
Receipts from other funds.....	-	-	-	-	-	-	133,500	133,500
Net Cash Flows From Non-Capital Financing Activities.	<u>-</u>	<u>(400,000)</u>	<u>(1,489,495)</u>	<u>440,892</u>	<u>(1,448,603)</u>	<u>(1,198,780)</u>	<u>133,500</u>	<u>133,500</u>
CASH FLOWS FROM CAPITAL AND RELATED								
FINANCING ACTIVITIES:								
Advances from TVA	-	-	543,877	-	543,877	583,114	-	-
Utility plant removal costs	-	-	38,898	-	38,898	(51,278)	-	-
Principal paid on bonds/notes/capital leases/revolving loan.	-	(5,790,136)	(785,000)	(5,265,000)	(11,840,136)	(2,527,911)	-	-
Interest paid on bonds/notes/capital leases/revolving loan ...	-	(1,244,342)	(169,167)	(192,838)	(1,606,347)	(1,619,891)	-	-
Customer deposits received	-	-	585,035	-	585,035	371,615	-	-
Customer deposits refunded	-	-	(359,163)	-	(359,163)	(278,231)	-	-
Repayments of advances.....	-	-	(654,005)	-	(654,005)	(457,380)	-	-
Deferred credits	-	-	5,058	-	5,058	(136,441)	-	-
Merchandizing, jobbing, and contract work revenue	-	-	(248,407)	-	(248,407)	51,933	-	-
Collection on conservation loans.....	-	-	868,071	-	868,071	329,354	-	-
Payments for acquisition and construction of capital assets .	(1,774)	(1,030,108)	(1,468,257)	(256,214)	(2,756,353)	(12,339,845)	-	-
Additional long-term bond/capital outlay notes/ revolving loans	-	5,250,000	-	4,395,000	9,645,000	-	-	-
Acquisition of conservation loans.....	-	-	(744,963)	-	(744,963)	(591,363)	-	-
Grant proceeds.....	-	-	-	153,261	153,261	75,718	-	-
Pension deferral	(60,321)	55,643	-	-	(4,678)	(435,669)	-	-
Service fees.....	-	-	-	(1,024)	(1,024)	(3,000)	-	-
Other revenue (expense).....	-	46,052	2,427	(27,229)	21,250	19,997	-	-
Contributions in aid of construction	-	33,849	-	-	33,849	1,610,605	-	-
Deferred amount on refunding.....	-	(500,000)	-	-	(500,000)	-	-	-
Amortization.....	-	(321,114)	-	-	(321,114)	-	-	-
Net Cash Flows From Capital and Related Financing Activities.....	<u>(62,095)</u>	<u>(3,500,156)</u>	<u>(2,385,596)</u>	<u>(1,194,044)</u>	<u>(7,141,891)</u>	<u>(15,398,673)</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds					Governmental Activities		
	2016					Internal Service Funds		
	Stormwater Utility	Water/ Sewer Utility	Electric Utility	Landfill	Total	2015 Total	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of investment securities.....	-	(1,000,000)	(1,002,746)	(2,375,342)	(4,378,088)	(522,038)	-	-
Proceeds from sale and maturities of investment Securities	-	-	-	1,885,928	1,885,928	3,352,310	-	-
Interest and dividends on investments	-	3,329	5,745	8,079	17,153	7,322	-	-
Net Cash Flows From Investing Activities..	-	(996,671)	(997,001)	(481,335)	(2,475,007)	2,837,594	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS								
	(234,167)	(2,745,037)	(480,439)	(236,623)	(3,696,266)	(3,876,754)	509,276	511,097
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR								
	826,839	6,003,947	4,408,033	1,661,859	12,900,678	16,777,432	1,635,638	1,124,541
CASH AND CASH EQUIVALENTS AT END OF YEAR.....								
	<u>\$ 592,672</u>	<u>\$ 3,258,910</u>	<u>\$ 3,927,594</u>	<u>\$ 1,425,236</u>	<u>\$ 9,204,412</u>	<u>\$12,900,678</u>	<u>\$ 2,144,914</u>	<u>\$ 1,635,638</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by (Used) in Operating Activities:								
Operating Income (loss)	<u>\$ (84,881)</u>	<u>\$ 587,778</u>	<u>\$ 2,908,721</u>	<u>\$ 49,446</u>	<u>\$ 3,461,064</u>	<u>\$ 3,016,140</u>	<u>\$ 384,696</u>	<u>\$ 197,930</u>
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	71,321	2,527,880	2,723,872	759,653	6,082,726	5,667,027	-	-
Amortization	-	-	26,387	-	26,387	26,387	-	-
Changes in assets and liabilities:								
Accounts receivable.....	(99,056)	(1,044,963)	(136,418)	51,007	(1,229,430)	1,387,139	4,900	84,154
Prepaid expenses	-	-	391,722	--	391,722	(77,779)	-	-
Inventory	-	(60,318)	(182,416)	-	(242,734)	268,742	-	-
Other receivables	-	-	(492)	-	(492)	18,683	-	-
Accounts payable.....	(91,430)	69,092	(1,308,884)	60,963	(1,270,259)	(28,621)	(13,820)	160,513
Other liabilities	23,336	120,515	132,441	56,482	332,774	416,779	-	(65,000)
Accrued payroll	4,856	17,508	74,668	7,063	104,095	22,775	-	-
Due from other funds.....	-	-	-	-	-	(820,960)	-	-
Due to employee insurance fund	-	-	-	-	-	(3,382)	-	-
Compensated absences	3,782	(65,702)	(237,948)	13,250	(286,618)	(9,825)	-	-
Total Adjustments	(87,191)	1,564,012	1,482,932	948,418	3,908,171	6,866,965	(8,920)	179,667
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
	<u>\$ (172,072)</u>	<u>\$ 2,151,790</u>	<u>\$ 4,391,653</u>	<u>\$ 997,864</u>	<u>\$ 7,369,235</u>	<u>\$ 9,883,105</u>	<u>\$ 375,776</u>	<u>\$ 377,597</u>

(Continued)

CITY OF ALCOA, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

(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	\$ 592,672	\$ -	\$ 592,672
Water/Sewer Utility	3,258,910	-	3,258,910
Electric Utility	3,907,489	20,105	3,927,594
Landfill	<u>1,425,736</u>	<u>-</u>	<u>1,425,736</u>
Totals.....	<u>\$ 9,184,807</u>	<u>\$ 20,105</u>	<u>\$ 9,204,912</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust (Note 8A).....	\$ 23,584,039	\$ -
Cash and cash equivalents	-	1,014,343
U.S. Treasury obligations	-	4,935,281
Corporate and foreign bonds	-	5,416,343
Common equity securities	-	10,589,964
Municipal obligations	-	1,454,306
Accrued interest	<u>-</u>	<u>126,639</u>
Total Assets	<u>23,584,039</u>	<u>23,536,876</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION:		
Held in trust for pension benefits	<u>23,584,039</u>	<u>23,536,876</u>
Total Net Position	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Employer contributions	\$ 2,406,072	\$ 2,173,944
Interest and dividend income	540,286	654,065
Net appreciation in fair value of investments	327,818	-
Miscellaneous income	77,270	-
Realized gain on sale of investments	<u>-</u>	<u>139,004</u>
Total Additions.....	<u>3,451,446</u>	<u>2,967,013</u>
Deductions:		
Benefit payments	3,077,676	2,587,026
Administrative expenses	78,196	73,003
Net depreciation in fair value of investments	<u>148,411</u>	<u>99,514</u>
Total Deductions	<u>3,304,283</u>	<u>2,759,543</u>
Change in Net Position	47,163	207,470
Net Position – Beginning of Year.....	<u>23,536,876</u>	<u>23,329,406</u>
Net Position – End of Year.....	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 Council-Manager 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, 2016

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 fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(B) BASIC FINANCIAL STATEMENTS (Continued):

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.

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(C) BASIS OF PRESENTATION (Continued)

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) School Construction and Improvement Fund: The School Construction and Improvement 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.

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.

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(C) BASIS OF PRESENTATION (Continued)

Internal Service Funds (Continued)

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, 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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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, 2016

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, 2016

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, 2016

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

(G) CASH (Continued)

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

	Equity Pooled In Cash Account	Other Cash Accounts	Combined Cash Total
General Fund	\$ 4,282,541	\$ 1,003,946	\$ 5,286,487
Special Revenue Funds:			
State Street Aid Fund	714,885	-	714,885
Education Fund	1,409,422	-	1,409,422
Cafeteria Fund	124,315	-	124,315
Extended Day Program Fund	178,088	-	178,088
Federal Projects Fund	44,152	-	44,152
Drug Control Fund	18,415	-	18,415
Commercial Vehicle Fines Fund	1,635	-	1,635
Total Special Revenue Funds	<u>2,490,912</u>	<u>-</u>	<u>2,490,912</u>
Debt Service Fund	<u>2,492,028</u>	<u>-</u>	<u>2,492,028</u>
Capital Projects Funds:			
Capital Projects Fund	24,964	-	24,964
Special Projects	91,096	-	91,096
Alcoa High School Construction Fund	68,905	167,179	236,084
2001 Special Projects Fund	319,167	-	319,167
Equipment Replacement Fund	475,522	-	475,522
General Obligation Public Works	3,468,029	-	3,468,029
Landscaping Fund	83,038	-	83,038
Home Grant Fund	743	-	743
School Construction and Improvement Fund	104,339	-	104,339
Total Capital Projects Funds	<u>4,635,803</u>	<u>167,179</u>	<u>4,802,982</u>
Internal Service Funds:			
Employees' Insurance Fund	-	1,135,872	1,135,872
Flexible Spending Fund	85	-	85
Service Center	55,957	-	55,957
City OPEB Fund	466,000	-	466,000
School OPEB Fund	487,000	-	487,000
Total Internal Service Funds	<u>1,009,042</u>	<u>1,135,872</u>	<u>2,144,914</u>
Total Governmental Funds	<u>14,910,326</u>	<u>2,306,997</u>	<u>17,217,323</u>
Proprietary Funds:			
Water and Sewer Utility Fund	4,262,113	-	4,262,113
Electric Utility Fund	-	4,930,340	4,930,340
Landfill Fund	-	1,425,736	1,425,736
Stormwater Utility Fund	592,672	-	592,672
Total Proprietary Funds	<u>4,854,785</u>	<u>6,356,076</u>	<u>11,210,861</u>
TOTAL GOVERNMENT	<u>\$ 19,765,111</u>	<u>\$ 8,663,073</u>	<u>\$ 28,428,184</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016 are as follows:

Electric Utility Fund	\$ 3,873,307
Water and Sewer Utility Fund	<u>829,549</u>
Total	<u>\$ 4,702,856</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, 2016

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

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

There were no interfund receivables/payables (due to/from) at June 30, 2016.

Interfund transfers during the fiscal year ended June 30, 2016 are as follows:

<u>From:</u>	<u>Debt Service</u>	<u>To:</u>				<u>Totals</u>
		<u>General Fund</u>	<u>City OPEB</u>	<u>School OPEB</u>	<u>Equipment Replacement</u>	
GO Public Works	\$ -	\$ -	\$ -	\$ -	\$ 1,200,000	\$ 1,200,000
General Fund	3,959,069	-	65,000	-	-	4,024,069
Electric Utility	1,240,029	1,489,495	-	-	-	2,729,524
Water/Sewer Utility	2,429,478	400,000	-	-	-	2,829,478
Education Fund	-	-	-	68,500	-	68,500
Landfill Fund	<u>983,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>983,862</u>
Total	<u>\$ 8,612,438</u>	<u>\$1,889,495</u>	<u>\$ 65,000</u>	<u>\$ 68,500</u>	<u>\$ 1,200,000</u>	<u>\$11,835,433</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.

(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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(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, 2016 is \$9,254,595.

(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.

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(P) COMPENSATED ABSENCES (Continued):

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 remainder of the compensated absences liability is reported as General Long Term Debt. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

(Q) CAPITAL ASSETS

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and culverts) are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset, or materially extend its life, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress) are not depreciated:

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

(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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(R) LONG-TERM OBLIGATIONS (Continued)

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, 2016 accounts in the government wide and fund financial statements. However, comparative data (i.e., presentation of prior year's totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

(T) IMPLEMENTATION OF NEW ACCOUNTING STANDARDS:

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

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority (commission) using its highest level of formal action (ordinance).
This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.
- d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. Only the City Council has the authority to assign funds for specified purposes, by a majority vote system.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(T) IMPLEMENTATION OF NEW ACCOUNTING STANDARDS:

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

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

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

(U) PENSIONS:

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

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

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

(V) RECLASSIFICATIONS/NET POSITION RESTATED:

Certain prior year assets, liabilities, equity, revenues and expenditures of the General Fund, Special Revenue Funds, Fiduciary Fund and Enterprise Funds have been reclassified to facilitate comparison with June 30, 2016 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, 2016

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

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 Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position
<u>Assets</u>					
Cash on hand/equity in pooled					
Cash/certificates of deposit.....	\$ 13,902,484	\$ -	\$ 2,144,914	\$ -	\$ 16,047,398
Investments	1,169,925	-	-	-	1,169,925
Receivables:					
Property Taxes, net.....	10,766,894	-	-	-	10,766,894
Accounts, net.....	868,682	-	-	366,272	1,234,954
Internal balances.....	-	-	-	-	-
Due from other governments.....	2,430,514	-	-	-	2,430,514
Capital Assets, Net	-	87,070,734	-	-	87,070,734
Capital lease property	-	9,894,150	-	-	9,894,150
Total Assets	<u>29,138,499</u>	<u>96,964,884</u>	<u>2,144,914</u>	<u>366,272</u>	<u>128,614,569</u>
Deferred Outflows of Resources:					
Deferred Outflows – Pensions.....	-	1,827,072	-	-	1,827,072
Deferred Outflows – Change in fair value of swap derivatives.....	<u>-</u>	<u>1,152,297</u>	<u>-</u>	<u>-</u>	<u>1,152,297</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>2,979,369</u>	<u>-</u>	<u>-</u>	<u>2,979,369</u>
<u>Liabilities</u>					
Accounts payable	2,752,556	-	465,478	-	3,218,034
Accrued liabilities	965,475	-	-	-	965,475
Unapplied grant funds	45,795	-	-	(45,795)	-
Unearned revenue.....	903,492	-	-	45,795	949,287
Long-term debt.....	-	86,071,675	-	-	86,071,675
Internal balances.....	-	-	-	-	-
Unfunded pension obligation	-	13,747,747	-	-	13,747,747
Unfunded OPEB obligation.....	-	1,204,555	-	-	1,204,555
Derivative – interest rate swap	-	1,152,297	-	-	1,152,297
Total Liabilities	<u>4,667,318</u>	<u>102,176,274</u>	<u>465,478</u>	<u>-</u>	<u>107,309,070</u>
Deferred Inflow of Resources:					
Property taxes.....	10,014,628	-	-	-	10,014,628
Deferred Inflows – Pension.....	<u>-</u>	<u>1,772,419</u>	<u>-</u>	<u>-</u>	<u>1,772,419</u>
Total Deferred Inflow of Resources	<u>10,014,628</u>	<u>1,772,419</u>	<u>-</u>	<u>-</u>	<u>11,787,047</u>
Net Position.....	<u>\$ 14,456,553</u>	<u>\$ (4,004,440)</u>	<u>\$ 1,679,436</u>	<u>\$ 366,272</u>	<u>\$ 12,497,821</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(Continued):

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	\$ 144,558,744
Accumulated depreciation	<u>(47,593,860)</u>
	<u>\$ 96,964,884</u>

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	\$ 169,269	\$ 742,664	\$ 911,933
Bonds, capital improvement notes, loans	2,945,000	72,660,000	75,605,000
Capital lease obligations	<u>76,176</u>	<u>9,478,566</u>	<u>9,554,742</u>
	<u>\$3,190,445</u>	<u>\$ 82,881,230</u>	<u>\$ 86,071,675</u>

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	\$ 2,144,914
Accounts payable	<u>(465,478)</u>
Net Position	<u>\$ 1,679,436</u>

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.

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

	<u>Total Governmental Funds</u>	<u>Capital- Related Items</u> (4)	<u>Long-term Debt Transactions</u> (5)	<u>Internal Service Funds</u>	<u>Reclass- ifications</u>	<u>Statement of Activities</u>
<u>Revenues</u>						
Taxes - Property	\$ 25,390,315	\$ -	\$ -	\$ -	\$ (11,645,619)	\$ 13,744,696
Sales taxes	-	-	-	-	13,462,947	13,462,947
State income & excise tax	-	-	-	-	135,244	135,244
Licenses, permits and fees	141,755	-	-	-	439,006	580,761
Business taxes	-	-	-	-	942,515	942,515
Intergovernmental	15,774,882	-	-	-	(15,774,882)	-

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 (Continued):

	Total Governmental Funds	Capital- Related Items (4)	Long-term Debt Transactions (5)	Internal Service Funds	Reclass- ifications	Statement of Activities
<u>Revenues (Continued)</u>						
Intergovernmental:						
State sales taxes	-	-	-	-	679,808	679,808
Federal and state grants.....	-	-	-	-	2,056,692	2,056,692
USDA revenues	-	-	-	-	577,126	577,126
Other state revenues	-	-	-	-	7,913,717	7,913,717
Other local revenues	206,250	-	-	-	69,025	275,275
Contributions	-	-	-	-	253,201	253,201
Charges for services.....	920,100	-	-	384,696	593,889	1,898,685
Fines, forfeitures, and costs.....	663,174	-	-	-	-	663,174
Investment income	117,349	-	-	-	-	117,349
Miscellaneous taxes	664,611	-	-	-	-	664,611
Property rentals	153,336	-	-	-	-	153,336
Proceeds from sale/deletion of capital assets	23,588	-	-	-	-	23,588
In-lieu of taxes	-	-	-	-	297,331	297,331
Total Revenues	<u>44,055,360</u>	<u>-</u>	<u>-</u>	<u>384,696</u>	<u>-</u>	<u>44,440,056</u>
<u>Expenditures/Expenses</u>						
Current:						
General government	1,665,434	366,592	691,798	-	(48,809)	2,675,015
Public safety – Police/Fire	9,266,855	321,824	1,253,884	-	(190,381)	10,652,182
Public works - Streets	5,039,816	639,734	216,187	-	(80,288)	5,815,449
Recreation and Culture	785,765	152,568	-	-	-	938,333
Community development	1,403,320	-	-	-	-	1,403,320
Education	20,509,466	1,102,321	787,391	-	(326,345)	22,072,833
Debt service - principal retirement	5,560,136	-	(5,560,136)	-	-	-
Debt service - interest and fiscal fees	3,949,082	-	(2,742,082)	-	-	1,207,000
Capital Outlay	<u>3,327,687</u>	<u>(3,973,510)</u>	<u>-</u>	<u>-</u>	<u>645,823</u>	<u>-</u>
Total Expenditures	<u>51,507,561</u>	<u>(1,390,471)</u>	<u>(5,352,958)</u>	<u>-</u>	<u>-</u>	<u>44,764,132</u>
<u>Other Financing Sources (Uses)/ Changes in Net Position</u>						
Transfers (Out)	(5,155,000)	-	5,155,000	-	-	-
Transfers In	9,749,973	-	(9,749,973)	-	-	-
In lieu of tax payments	<u>1,889,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,889,495</u>
Total Other Financing Sources (Uses)/Changes in Net Position	<u>6,484,468</u>	<u>-</u>	<u>(4,594,973)</u>	<u>-</u>	<u>-</u>	<u>1,889,495</u>
Net Change for the Year	<u>\$ (967,733)</u>	<u>\$ 1,390,471</u>	<u>\$ 757,985</u>	<u>\$ 384,696</u>	<u>\$ -</u>	<u>\$ 1,565,419</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

(Continued):

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.

Accrual for compensated absences	\$ 911,933
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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	\$ 5,378,892
Depreciation	<u>(3,988,421)</u>
Net Change	<u>\$ 1,390,471</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	<u>\$ 5,560,136</u>
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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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued):

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, 2016). Fair value is based on quoted market prices.

Presented below is a summary of Combined Cash, Certificates of Deposit and Investments by Fund as of June 30, 2016:

SUMMARY OF CASH AND INVESTMENTS BY FUNDS:

Fiduciary Funds – Pension Trust	<u>\$ 23,256,221</u>
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Statement of Net Position:

Capital Projects Funds – Investments and Local Government Investment Pool	\$ 1,169,925
Enterprise Funds – Restricted Assets.....	9,254,595
Enterprise Funds - Non-restricted Assets	<u>11,210,861</u>

Total Governmental and Enterprise Funds	<u>21,635,381</u>
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SUMMARY OF CHECKING ACCOUNTS BY FUNDS:

General Fund (includes cash on hand of \$1,200).....	4,283,741
Special Revenue Funds.....	2,490,912
Debt Service Fund	2,492,028
Capital Projects Funds	4,635,803
Internal Service Funds	<u>2,144,914</u>

Total Checking Accounts By Funds	<u>16,047,398</u>
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Total Checking/ Certificates of Deposit/Investments/Restricted Cash –

Statement of Net Position	<u>\$ 37,682,779</u>
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(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued):

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>
Investments	\$ 1,169,925	\$ -	\$ 1,169,925
Cash and Certificates of Deposit	16,047,398	11,210,861	27,258,259
Restricted Cash/Certificates of Deposit	-	9,254,595	9,254,595
Total Cash and Investments	<u>\$ 17,217,323</u>	<u>\$ 20,465,456</u>	<u>\$ 37,682,779</u>

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

Cash and certificates of deposit	\$ 27,258,259
Investments	1,169,925
Restricted Assets: Cash and certificates of deposit	9,254,595
Total Cash and Investments	<u>\$ 37,682,779</u>

As of June 30, 2016 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>\$ 1,169,925</u>	<u>\$ 1,169,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued):

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 2015 was 1.96 per \$100.00 of assessed value.

Property taxes levied for 2014 are recorded as receivables, net of estimated uncollectibles. The taxes collected during the fiscal year 2014-15 and expected to be collected in the subsequent sixty (60) days are recognized as revenues in the fiscal year ended June 30, 2016.

Property taxes for 2015 are recorded (estimated at \$10,014,628) as receivables, since the enforceable legal claim to the asset (2015 taxes) is effective as of January 1, 2015 (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</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer</u> <u>In (Out)</u>	<u>Balance</u> <u>June 30, 2016</u>
Non-depreciable assets:					
Land	\$ 1,999,450	\$ -	\$ -	\$ -	\$ 1,999,450
Depreciable assets:					
Parks & Greenway	4,268,322	79,870	-	-	4,348,192
Accumulated depreciation	(1,150,029)	(128,317)	-	-	(1,278,346)
	<u>3,118,293</u>	<u>(48,447)</u>	<u>-</u>	<u>-</u>	<u>3,069,846</u>
Buildings	29,672,905	34,138,084	-	-	63,810,989
Accumulated depreciation	(11,562,093)	(1,258,120)	-	-	(12,820,213)
	<u>18,110,812</u>	<u>32,879,964</u>	<u>-</u>	<u>-</u>	<u>50,990,776</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued):

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

	Balance July 1, 2015	Additions	Retirements	Transfer In (Out)	Balance June 30, 2016
Swimming Pools	1,046,946	720	-	-	1,047,666
Accumulated depreciation	(647,054)	(52,383)	-	-	(699,437)
	<u>399,892</u>	<u>(51,663)</u>	<u>-</u>	<u>-</u>	<u>348,229</u>
Improvements other than buildings	52,242,392	559,626	-	-	52,802,018
Accumulated depreciation	(24,282,103)	(1,918,093)	-	-	(26,200,196)
	<u>27,960,289</u>	<u>(1,358,467)</u>	<u>-</u>	<u>-</u>	<u>26,601,822</u>
Equipment	8,588,489	744,220	(62,352)	200,761	9,471,118
Accumulated depreciation	(5,939,515)	(631,508)	62,352	(86,997)	(6,595,668)
	<u>2,648,974</u>	<u>112,712</u>	<u>-</u>	<u>113,764</u>	<u>2,875,450</u>
Construction in progress	<u>33,924,400</u>	<u>519,413</u>	<u>(33,258,652)</u>	<u>-</u>	<u>1,185,161</u>
Capital Lease Property:					
Civic Center	9,142,400	-	-	-	9,142,400
Communications Center	751,750	-	-	-	751,750
Other Capital leases	200,761	-	-	(200,761)	-
Accumulated depreciation	(86,997)	-	-	86,997	-
	<u>10,007,914</u>	<u>-</u>	<u>-</u>	<u>(113,764)</u>	<u>9,894,150</u>
Capital Assets, net of Accumulated depreciation	<u>\$ 98,170,024</u>	<u>\$ 32,053,512</u>	<u>\$(33,258,652)</u>	<u>\$ -</u>	<u>\$ 96,964,884</u>

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 7-1-15	\$ 336,481	\$ 52,804,385	\$15,438,870	\$ 12,181,465	\$ 5,376,158	\$ 86,137,359
	Additions	-	2,369,564	1,721,244	978,001	-	5,068,809
	Retirements	-	(230,292)	-	(281,159)	(3,600,552)	(4,112,003)
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-16	<u>336,481</u>	<u>54,943,657</u>	<u>17,160,114</u>	<u>12,878,307</u>	<u>1,775,606</u>	<u>87,094,165</u>
WATER	Balance 7-1-15	1,020,097	19,219,761	24,764,687	16,218,663	-	61,223,208
	Additions	-	-	354,047	52,051	-	406,098
	Retirements	-	-	-	(42,167)	-	(42,167)
	Balance 6-30-16	<u>1,020,097</u>	<u>19,219,761</u>	<u>25,118,734</u>	<u>16,228,547</u>	<u>-</u>	<u>61,587,139</u>
SEWER	Balance 7-1-15	174,138	4,728,135	18,548,818	1,179,247	43,461	24,673,799
	Additions	-	-	622,235	1,775	-	624,010
	Retirements	-	-	-	(195,000)	(43,461)	(238,461)
	Balance 6-30-16	<u>174,138</u>	<u>4,728,135</u>	<u>19,171,053</u>	<u>986,022</u>	<u>-</u>	<u>25,059,348</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued):

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

CAPITAL ASSETS (Continued):

		Non- Depreciable Land, Land Rights and <u>Easements</u>	Electric Distribution and <u>Buildings</u>	Electric Station Equipment and Improvements Other than <u>Buildings</u>	<u>Equipment</u>	Construction <u>in Progress</u>	<u>Totals</u>
LANDFILL	Balance 7-1-15	673,647	10,979,123	-	2,732,792	-	14,385,562
	Additions	256,214	-	-	-	-	256,214
	Retirements	-	-	-	-	-	-
	Balance 6-30-16	<u>929,861</u>	<u>10,979,123</u>	<u>-</u>	<u>2,732,792</u>	<u>-</u>	<u>14,641,776</u>
STORMWATER	Balance 7-1-15	-	-	-	652,742	-	652,742
	Additions	-	-	-	1,774	-	1,774
	Retirements	-	-	-	-	-	-
	Balance 6-30-16	<u>-</u>	<u>-</u>	<u>-</u>	<u>654,516</u>	<u>-</u>	<u>654,516</u>
TOTALS		<u>\$ 2,460,577</u>	<u>\$ 89,870,676</u>	<u>\$ 61,449,901</u>	<u>\$ 33,480,184</u>	<u>\$ 1,775,606</u>	<u>\$ 189,039,944</u>

ACCUMULATED DEPRECIATION:

		Land, Land Rights and <u>Easements</u>	Electric Distribution and <u>Buildings</u>	Electric Station Equipment and Improvements Other than <u>Buildings</u>	<u>Equipment</u>	Construction <u>in Progress</u>	<u>Totals</u>
ELECTRIC	Balance 7-1-15	\$ -	\$ 21,018,558	\$ 6,988,118	\$ 4,478,757	\$ -	\$ 32,485,433
	Additions	-	1,872,943	442,334	408,595	-	2,723,872
	Retirements	-	(230,293)	-	(281,158)	-	(511,451)
	Removal Costs	-	-	-	38,898	-	38,898
	Other reclassify	-	-	-	-	-	-
	Balance 6-30-16	<u>-</u>	<u>22,661,208</u>	<u>7,430,452</u>	<u>4,645,092</u>	<u>-</u>	<u>34,736,752</u>
WATER	Balance 7-1-15	-	3,624,843	6,312,471	7,807,789	-	17,745,103
	Additions	-	422,739	536,469	898,750	-	1,857,958
	Retirements	-	-	-	(41,524)	-	(41,524)
	Balance 6-30-16	<u>-</u>	<u>4,047,582</u>	<u>6,848,940</u>	<u>8,665,015</u>	<u>-</u>	<u>19,561,537</u>
SEWER	Balance 7-1-15	-	1,654,888	5,254,680	763,773	-	7,673,341
	Additions	-	130,638	485,211	54,073	-	669,922
	Retirements	-	-	-	(195,000)	-	(195,000)
	Balance 6-30-16	<u>-</u>	<u>1,785,526</u>	<u>5,739,891</u>	<u>622,846</u>	<u>-</u>	<u>8,148,263</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued):

ACCUMULATED DEPRECIATION (Continued):

		<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>
LANDFILL	Balance 7-1-15	-	6,564,527	-	1,811,115	-	8,375,642
	Additions	-	527,659	-	231,994	-	759,653
	Retirements	-	-	-	-	-	-
	Balance 6-30-16	-	<u>7,092,186</u>	-	<u>2,043,109</u>	-	<u>9,135,295</u>
STORMWATER	Balance 7-1-15	-	-	-	307,520	-	307,520
	Additions	-	-	-	71,320	-	71,320
	Retirements	-	-	-	-	-	-
	Balance 6-30-16	-	-	-	<u>378,840</u>	-	<u>378,840</u>
	TOTALS	-	<u>35,586,502</u>	<u>20,019,283</u>	<u>16,354,902</u>	-	<u>71,960,687</u>
NET CAPITAL ASSETS		<u>\$ 2,460,577</u>	<u>\$ 54,284,174</u>	<u>\$ 41,430,618</u>	<u>\$ 17,125,282</u>	<u>\$ 1,775,606</u>	<u>\$ 117,076,257</u>

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

Governmental activities:

General Government.....	\$ 238,436
Police	240,917
Fire	180,907
Recreation	252,568
Public works/streets	1,045,116
Solid waste	86,023
Education	1,802,321
Service center.....	142,133
Total depreciation expense – governmental activities	<u>\$ 3,988,421</u>

Business – type activities:

Water and sewer.....	\$ 2,527,880
Electric.....	2,723,872
Landfill	759,653
Stormwater.....	71,320
Total depreciation expense – business-type activities	<u>\$ 6,082,725</u>

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES:

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retired</u> <u>Deletions</u>	<u>Total</u> <u>Balance</u> <u>June 30, 2016</u>	<u>Non-Current</u> <u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Balance</u>
Governmental Activities:						
General Obligation Bonds/						
Revenue Bonds.....	\$ 78,150,000	\$ 4,310,000	\$ (6,855,000)	\$ 75,605,000	\$ 72,660,000	\$ 2,945,000
Compensated Absences.....	974,749	-	(62,816)	911,933	742,664	169,269
Capital Leases Payable.....	9,656,129	-	(101,387)	9,554,742	9,478,566	76,176
Totals-Governmental Activities	\$ 88,780,878	\$ 4,310,000	\$ (7,019,203)	\$ 86,071,675	\$ 82,881,230	\$ 3,190,445
Business-type Activities:						
General Obligation Bonds/						
Revenue Bonds.....	\$ 70,333,837	\$ 9,710,000	\$ (11,905,136)	\$ 68,138,701	\$ 65,443,201	\$ 2,695,500
Compensated absences.....	1,241,066	957,760	(1,241,066)	957,760	222,804	734,956
Estimated liability for closure/ Post-closure care cost.....	8,777,906	440,892	-	9,218,798	9,218,798	-
Totals-Business Type Activities.....	\$ 80,352,809	\$ 11,108,652	\$ (13,146,202)	\$ 78,315,259	\$ 74,884,803	\$ 3,430,456
Totals-Governmental and Business-Type Activities	\$ 169,133,687	\$ 15,418,652	\$ (20,165,405)	\$ 164,386,934	\$ 157,766,033	\$ 6,620,901

The following is a summary of bond and capital outlay note transactions of the City for the fiscal year ended June 30, 2016.

	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Total</u>
Debt payable at July 1, 2015	\$ 144,930,000	\$ 3,553,837	\$ 148,483,837
Debt refunded.....	(5,405,000)	(155,136)	(5,560,136)
Debt released by Maryville College.....	(13,200,000)	-	(13,200,000)
Issued during fiscal year.....	14,020,000	-	14,020,000
Debt Payable – June 30, 2016.....	\$ 140,345,000	\$ 3,398,701	\$ 143,743,701

Bonds payable at June 30, 2016, are comprised of the following individual issues:

General Obligation Bonds:	<u>Total</u>	<u>Long-term</u> <u>Amount</u> <u>Outstanding</u>	<u>Current</u> <u>Amount</u> <u>Outstanding</u>
\$300,000 – 2008 General Obligation Bonds, due in installments of \$150,000 average interest at 4.68%	\$ 300,000	\$ 150,000	\$ 150,000
\$275,000 – 2008 Local Government Public Improvement Bonds Series B-17-A due in two installments of \$135,000 to \$140,000 through June 2018 variable interest.....	275,000	140,000	135,000
\$77,370,000 – 2008 Local Government Improvement Bonds, Series E-5-B, due in annual installments of \$100,000 to \$2,090,000 through June 2042, variable interest.....	70,880,000	67,980,000	2,900,000

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES (Continued):

Bonds payable at June 30, 2016, are comprised of the following individual issues:

General Obligation Bonds:	<u>Total</u>	<u>Long-term Amount Outstanding</u>	<u>Current Amount Outstanding</u>
\$9,925,000 – 2010 Industrial Development Board of Blount County, TN, Civic Arts Center, due in annual installments of \$310,000 to \$565,000 through June 2036, interest at 4.5%	6,500,000	6,500,000	-
\$10,000,000 – 2012 General Obligation Bonds – due in annual installments of \$225,000 to \$650,000 through June 2043, variable interest	9,325,000	9,100,000	225,000
\$10,000,000 – 2013A General Obligation Bonds due in annual installments of \$25,000 to \$700,000 through June 2043	9,950,000	9,925,000	25,000
\$2,000,000 – 2013B General Obligation Bonds due in annual installments of \$400,000 through June 2019	1,200,000	800,000	400,000
\$10,000,000 – 2014 General Obligation Bonds due in annual installments of \$75,000 to \$750,000 through June 2043	9,850,000	9,775,000	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	8,115,000	7,290,000	825,000
\$9,995,000 – 2015 General Obligation Bonds – due in annual installments of \$245,000 to \$545,000 through June 2045, variable interest	9,995,000	9,995,000	-
\$4,395,000 – 2016 Landfill General Obligation Bonds – due in annual installments of \$675,000 to \$775,000 through June 2022, interest at 2%.	4,395,000	3,720,000	675,000
\$9,625,000 – 2016 General Obligation Bonds – due in annual installments of \$65,000 to \$975,000 through June 2042, variable interest.	9,560,000	9,490,000	70,000
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>3,398,701</u>	<u>3,238,201</u>	<u>160,500</u>
Total Bonds Outstanding.....	<u>\$143,723,701</u>	<u>\$138,103,201</u>	<u>\$ 5,640,500</u>

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

Proprietary Fund Types	\$ 68,138,701
Governmental Activities	<u>75,605,000</u>
Total Bonds Outstanding	<u>\$ 143,743,701</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES (Continued):

The annual requirements to amortize all Bonds and Capital Outlay Notes outstanding as of June 30, 2016, including interest payments, are \$222,104,087 as follows:

<u>Fiscal Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,465,500	\$ 5,602,330	\$ 11,067,830
2018	5,921,032	5,400,777	11,321,809
2019	6,141,768	5,180,904	11,322,672
2020	5,957,708	4,951,259	10,908,967
2021	<u>6,203,840</u>	<u>4,718,379</u>	<u>10,922,219</u>
Subtotal	<u>29,689,848</u>	<u>25,853,649</u>	<u>55,543,497</u>
2022	6,275,188	4,472,642	10,747,830
2023	5,191,752	4,512,040	9,703,792
2024	5,398,556	4,307,996	9,706,552
2025	5,560,576	4,092,931	9,653,507
2026	<u>5,782,848</u>	<u>3,866,130</u>	<u>9,648,978</u>
Subtotal	<u>28,208,920</u>	<u>21,251,739</u>	<u>49,460,659</u>
2027	5,425,372	3,628,969	9,054,341
2028	5,598,160	3,400,326	9,998,486
2029	5,961,212	3,162,059	9,123,271
2030	6,274,540	2,901,944	9,176,484
2031	<u>5,548,156</u>	<u>2,626,890</u>	<u>8,175,046</u>
Subtotal	<u>28,807,440</u>	<u>15,720,188</u>	<u>44,527,628</u>
2032	4,702,072	2,394,986	7,097,058
2033	4,657,265	2,208,737	6,866,002
2034	4,893,156	2,017,787	6,910,943
2035	5,045,000	1,813,945	6,858,945
2036	<u>5,320,000</u>	<u>1,602,407</u>	<u>6,922,407</u>
Subtotal	<u>24,617,493</u>	<u>10,037,862</u>	<u>34,655,355</u>
2037	4,780,000	1,376,495	6,156,495
2038	4,360,000	1,171,620	5,531,620
2039	4,555,000	987,301	5,542,301
2040	4,810,000	791,081	5,601,081
2041	<u>4,990,000</u>	<u>583,075</u>	<u>5,573,075</u>
Subtotal	<u>23,495,000</u>	<u>4,909,572</u>	<u>28,404,572</u>
2042	5,250,000	372,026	5,622,026
2043	2,605,000	150,750	2,755,750
2044	525,000	42,800	567,800
2045	545,000	21,800	566,800
2046	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>8,925,000</u>	<u>587,376</u>	<u>9,512,376</u>
Totals	<u>\$ 143,743,701</u>	<u>\$ 78,360,386</u>	<u>\$ 222,104,087</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, 2016

NOTE 7 – DERIVATIVES:

Interest Rate Derivatives

The City of Alcoa, Tennessee has four interest rate swaps as of June 30, 2016. 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.
\$11.5M 63.1% CMS Swap	7/31/2008	8/7/2008	6/1/2017	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 6-30-2016:

<u>Hedging Derivatives</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change In Value</u>	<u>Government Activities</u>	<u>Business-Type Activities</u>
\$13.4M 63% CMS Swap	\$ (5,501,079)	\$ (3,844,554)	\$ (1,656,525)	\$ -	\$ (1,656,525)
\$ 4.5M 63% CMS Swap	(1,330,022)	(969,734)	(360,288)	-	(360,288)
\$10.0M 63.1% CMS Swap	<u>(1,152,297)</u>	<u>(1,117,753)</u>	<u>(34,544)</u>	<u>(34,544)</u>	<u>-</u>
	<u>\$ (7,983,398)</u>	<u>\$ (5,932,041)</u>	<u>\$ (2,051,357)</u>	<u>\$ (34,544)</u>	<u>\$ (2,016,813)</u>
<u>Investment Derivatives</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change In Value</u>	<u>61.16% Government Activities</u>	<u>38.84% Business-Type Activities</u>
\$11.5M 63.1% CMS Swap	<u>\$ (815)</u>	<u>\$ (53,189)</u>	<u>\$ 52,374</u>	<u>\$ 32,032</u>	<u>\$ 20,342</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

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 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, three of Alcoa’s 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, 2016. One swap, identified above as \$11.5M 63.1% CMS Swap, did not pass any of the methods applied in a prior period, and is considered to be an investment derivative. Those passing the dollar-offset method as of the date of this report:

<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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

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.

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 Description</u>	<u>Swap Beginning Value</u>	<u>Swap Ending Value</u>	<u>Bond Beginning Value</u>	<u>Bond Ending Value</u>	<u>Dollar Offset Ratio</u>	<u>Pass or Fail</u>
\$13.4M 63% CMS Swap	<u>\$ (980,408)</u>	<u>\$(5,533,795)</u>	<u>\$ _____ 0</u>	<u>\$ 5,416,938</u>	84%	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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Regression Analysis Method (Continued)

The \$10.0M 63.1% CMS Swap was tested and passed the regression analysis method in the prior period. Therefore, the swap was tested using the regression analysis method for the current period. Since the \$4.5M 63% CMS Swap failed the D-O method, the swap was tested using the regression analysis method for the current period. The results of the regression analysis are as follows:

Relevant Results Summary

<u>Interest Rate Swap Description</u>	<u>R Square</u>	<u>Significance F</u>	<u>Slope</u>	<u>Observations</u>	<u>Pass or Fail</u>
\$4.5M 63% CMS Swap	0.9481	0.00%	(1.1114)	37	Pass
\$10.0M 63.1% CMS Swap	0.9108	0.00%	(0.8450)	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, 2016, 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>-0.617%</u>
Net interest rate swap payments		3.250%
Variable-rate bond coupon payments		<u>0.914%</u>
Effective Synthetic interest rate on bonds		<u>4.164%</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Fair Value: As of June 30, 2016, the swap had a negative fair value of (\$5,368,526) excluding accrued interest of \$165,269. 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, 2016, 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 Pool'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, 2016, Depfa's credit rating had been downgraded and was rated "Ba1/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 to 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, 2016, 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:

Fiscal Year Ending June 30,	Business-Type Activities			
	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2017	\$ -	\$ 122,510	\$ 435,513	\$ 558,023
2018	-	122,510	435,513	558,023
2019	-	122,510	435,513	558,023
2020	-	122,510	435,513	558,023
2021	-	122,510	435,513	558,023
2022 – 2026	-	612,549	2,177,567	2,790,116
2027 – 2031	1,000,000	612,549	2,177,567	3,790,116
2032 – 2036	6,400,000	463,526	1,647,802	8,511,327
2037 – 2041	6,000,000	137,137	487,516	6,624,653
	<u>\$ 13,400,000</u>	<u>\$ 2,438,311</u>	<u>\$ 8,668,017</u>	<u>\$ 24,506,327</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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>0.617%</u>
Net interest rate swap payments		3.265%
Variable-rate bond coupon payments		<u>0.914%</u>
Effective Synthetic interest rate on bonds		<u><u>4.179%</u></u>

Fair Value: As of June 30, 2016, the swap had a negative fair value of (\$1,309,314) excluding accrued interest of \$31,750. 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, 2016, 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, 2016, Depfa’s credit rating had been downgraded and was rated “Ba1/A” by Moody’s and Standard and Pool’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, 2016

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 to 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, 2016, 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:

Fiscal Year Ending June 30,	Business-Type Activities			
	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2017	\$ -	\$ 41,141	\$ 146,930	\$ 188,071
2018	-	41,141	146,930	188,071
2019	-	41,141	146,930	188,071
2020	-	41,141	146,930	188,071
2021	-	41,141	146,930	188,071
2022 – 2026	700,000	185,595	662,815	1,548,408
2027 – 2031	<u>3,800,000</u>	<u>122,281</u>	<u>436,707</u>	<u>4,358,988</u>
	<u>\$ 4,500,000</u>	<u>\$ 513,581</u>	<u>\$ 1,834,170</u>	<u>\$ 6,847,751</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, 2016

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, 2016, 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>0.618%</u>
Net interest rate swap payments		3.582%
Variable-rate bond coupon payments		<u>0.914%</u>
Effective Synthetic interest rate on bonds		<u><u>4.496%</u></u>

Fair Value: As of June 30, 2016, the swap had a negative fair value of (\$1,152,297) excluding accrued interest of \$32,660. 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, 2016, 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 “A+” by Standard and Poor’s as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ 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 to 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, 2016

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Swap payments and associated debt: As of June 30, 2016, 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:

Fiscal Year Ending June 30,	Governmental Activities			
	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2017	\$ 1,450,000	\$ 91,425	\$ 358,162	\$ 1,899,587
2018	1,550,000	78,169	306,229	1,934,397
2019	1,625,000	63,998	250,713	1,939,711
2020	1,705,000	49,141	192,512	1,946,653
2021	1,790,000	33,553	131,445	1,954,999
2022	1,880,000	17,188	67,334	1,964,522
	<u>\$ 10,000,000</u>	<u>\$ 333,474</u>	<u>\$ 1,306,396</u>	<u>\$ 11,636,869</u>

On May 1, 2001, the City entered into an \$11,175,000 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 A-1-C on December 28, 2001.

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 \$11.175 million Series A-1-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 A-1-C bonds have since been refunded with a portion of the proceeds of the Series E-3-E bonds and the interest rate swap is now associated with the Series E-3-E bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 4.23 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 \$11.175 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-3-E 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, 2017. As of June 30, 2016, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.230%
Variable payment from counterparty	% LIBOR	<u>0.618%</u>
Net interest rate swap payments		3.612%
Variable-rate bond coupon payments		<u>0.914%</u>
Effective Synthetic interest rate on bonds		<u>4.526%</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Derivative Instruments (Continued)

Fair Value: As of June 30, 2016, the swap had a negative fair value of (\$815) excluding accrued interest of \$69. 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, 2016, 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 swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard & Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk: As noted above, the swap exposes the City to basis 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 swap 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, of 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, 2016, 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 Ending June 30</u>	<u>Governmental Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Net Interest Rate Swap Payment</u>	<u>Total</u>
2017	\$ 20,885	\$ 191	\$ 754	\$ 21,830
<u>Fiscal Year Ending June 30</u>	<u>Business-Type Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Net Interest Rate Swap Payment</u>	<u>Total</u>
2017	4,115	38	149	4,302
Totals	\$ 25,000	\$ 229	\$ 903	\$ 26,132

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Prior Period Adjustment for Derivative Instruments/Debt Service:

a) Derivative Instruments:

Reclassification/Correction of Error/Period Adjustment

For the years ended June 30, 2010 through June 30, 2015, an error was made in accounting for hedging derivatives in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Reporting for Derivative Instruments, requiring that the fair value of financial arrangements called “derivatives” or “derivative instruments” be reported in the financial statements of local governments. The four debt issues involving derivatives are as follows:

- 1) On January 1, 2000, the City entered into a \$10,000,000 loan agreement with PBA of Sevier County, with an interest rate swap agreement on the Series IV-B-5 bonds as of June 19, 2002
- 2) On May 1, 2001, the City entered into an \$11,175,000 loan agreement with the PBA of Blount County, with an interest rate swap agreement on the Series A-1-C as of December 28, 2001
- 3) On December 15, 2005, the City entered into a \$4,500,000 loan agreement with the PBA of Blount County, with an interest rate swap agreement on the Series D-5-C as of December 1, 2006
- 4) On May 1, 2006, the City entered into an \$13,400,000 loan agreement with the PBA of Blount County, with an interest rate swap agreement on the Series D-7-A as of December 1, 2006

The fair value of the swaps at June 30, 2010 are as follows:

<u>Hedging Derivative</u>	<u>Hedged Item</u>	<u>Trade Date</u>	<u>Termination Date</u>	<u>Dollar Offset Method</u>	<u>Swap Value 6/30/2009</u>	<u>Swap Value 6/30/2010</u>	<u>Change In Value</u>	
\$11.5 M 63.1% CMS Swap	Series E-3-E: CUSIP 095175RC1	7/31/2008	6/1/2017	Not Passed	\$ (607,934)	\$ (682,116)	\$ (74,182)	GF/W&Sewer/ Landfill
\$13.4 M 63% CMS Swap	Series E-5-B: CUSIP 095175RQ0	8/7/2008	6/1/2040	Passed	(1,983,742)	(2,677,193)	(693,451)	W&Sewer
\$ 4.5 M 63% CMS Swap	Series E-5-B: CUSIP 095175RQ0	8/7/2008	6/1/2030	Passed	(558,285)	(767,650)	(209,365)	W&Sewer
\$10.0 M 63.1% CMS Swap	Series E-5-B: CUSIP 095175RQ0	8/7/2008	6/1/2022	Passed	(1,129,419)	(1,486,371)	(356,982)	General Fund

GASB Statement No. 53 includes four methods for evaluating hedge effectiveness. A governmental entity can use any of the evaluation methods outlined in the Statement and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. As of June 30, 2010, three of the City’s derivatives identified above, passed the GASB 53 hedge effectiveness testing method (dollar-offset method). The changes in the fair value of derivative instruments classified as hedging derivative instruments are reported in the statement of Net Position as deferred outflows or inflows. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period.

The \$11.5 M CMS Swap was not tested again since it is deemed as an ineffective hedging instrument and classified as an investment derivative for financial reporting purposes as of June 30, 2010 and therefore cannot be tested again per GASB 53.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Prior Period Adjustment for Derivative Instruments/Debt Service (Continued):

a) Derivative Instruments (Continued):

Hedging Derivative Instruments:

For the years ended June 30, 2010 through June 30, 2015, the following hedging measurements are detailed below for reporting the change in values as deferred inflow/outflows of resources:

	<u>Hedging Derivative</u>	<u>GASB 53 Method Used</u>	<u>Fair Value Beginning</u>	<u>Fair Value Ending</u>
6/30/2010	\$13.4 M 63% CMS Swap	Zero Coupon	\$ (1,983,742)	\$ (2,677,193)
	\$ 4.5 M 63% CMS Swap	Method	(558,286)	(767,650)
	\$10.0 M 63.1% CMS Swap		(1,129,419)	(1,486,371)
6/30/2011	\$13.4 M 63% CMS Swap	Zero Coupon	(2,677,193)	(1,964,565)
	\$ 4.5 M 63% CMS Swap	Method	(767,650)	(569,784)
	\$10.0 M 63.1% CMS Swap		(1,486,371)	(1,194,233)
6/30/2012	\$13.4 M 63% CMS Swap	Zero Coupon	(1,964,565)	(4,894,886)
	\$ 4.5 M 63% CMS Swap	Method	(569,784)	(1,324,833)
	\$10.0 M 63.1% CMS Swap		(1,194,233)	(2,017,598)
6/30/2013	\$13.4 M 63% CMS Swap	Zero Coupon	(4,894,886)	(2,988,710)
	\$ 4.5 M 63% CMS Swap	Method	(1,324,833)	(808,408)
	\$10.0 M 63.1% CMS Swap		(2,017,598)	(1,330,067)
6/30/2014	\$13.4 M 63% CMS Swap	Zero Coupon	(2,988,710)	(3,255,400)
	\$ 4.5 M 63% CMS Swap	Method	(808,408)	(863,112)
	\$10.0 M 63.1% CMS Swap		(1,330,067)	(1,232,501)
6/30/2015	\$13.4 M 63% CMS Swap	Zero Coupon	(3,255,400)	(3,844,554)
	\$ 4.5 M 63% CMS Swap	Method	(863,112)	(969,734)
	\$10.0 M 63.1% CMS Swap		(1,232,501)	<u>(1,117,753)</u>
	Net change in value – 6/30/15 restated			<u>\$ (5,932,041)</u>
			Governmental Funds	\$ 1,117,753
			Enterprise Funds	<u>4,814,288</u>
				<u>\$ 5,932,041</u>
		<u>Governmental Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
b) Investment income from ineffective hedging derivative instrument		<u>\$ 334,240</u>	<u>\$ 215,436</u>	<u>\$ 549,676</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DERIVATIVES (Continued):

Prior Period Adjustment for Derivative Instruments/Debt Service (Continued):

c) Debt Service:

In prior years, Water/Sewer and Landfill paid interest expense to Debt Service for bond payments based on amortization schedules rather than current interest rate based schedules resulting in an overpayment of interest expense. Other funds have paid interest expense into the Debt Service fund and amounts will be corrected in the current year. The prior period entry is as follows:

	<u>FYE 6/30/15</u>	<u>Prior Years</u>	<u>Total Due from Debt Service</u>
Water and Sewer	\$ 687,573	\$ 34,578	\$ 722,151
Landfill	<u>99,342</u>	<u>102,943</u>	<u>202,285</u>
	<u>\$ 786,915</u>	<u>\$ 137,521</u>	<u>\$ 924,436</u>

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, 2016

NOTE 8 – RETIREMENT COMMITMENTS:

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

Compensation of a Member:

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

Normal Retirement:

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

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

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

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

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

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

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

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

“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, 2016, the following employees were covered by the benefit terms:

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

Early Retirement:

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

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

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

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

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Delayed Retirement (Continued):

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.

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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.

Investment of Funds:

Prior to the current year, the funds of the retirement system were invested in a trust fund with First Tennessee Bank and managed by Martin & Company. During the current year, the funds of the retirement system were transferred to the TCRS for investing in the Tennessee Retiree Group Trust (TRGT), and managed by State Street. The City is one participant in the TRGT, and owns shares in the TRGT valued at \$23,584,038.61 as of June 30, 2016. 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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Investment of Funds (Continued):

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

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances – 06/30/2014	\$ 36,952,761	\$ 23,329,406	\$ 13,623,355
Changes for the Year:			
Service cost	190,824	-	190,824
Interest expense	2,688,755	-	2,688,755
Experience losses (gains)	-	-	-
Contributions – Employer	-	2,173,944	(2,173,944)
Net investment income	-	693,555	(693,555)
Benefits paid	(2,587,026)	(2,587,026)	-
Plan administrative expenses	-	(73,003)	73,003
Net Changes	<u>292,553</u>	<u>207,470</u>	<u>85,083</u>
Balances – 06/30/2015	<u>\$ 37,245,314</u>	<u>\$ 23,536,876</u>	<u>\$ 13,708,438</u>

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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability	<u>\$ 17,236,749</u>	<u>\$ 13,708,438</u>	<u>\$ 10,678,525</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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

For the fiscal year ended June 30, 2016, the recognized pension expense will be \$1,499,843. This determination is based on a measurement date of June 30, 2015. At June 30, 2016, 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>Original Amount</u>	<u>Date Established</u>	<u>Original Amortization Period (Years)</u>	<u>Amount Recognized Annually</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience losses (gains)	\$ 547,119	06/30/2015	2.0	\$ 273,560	\$ -	\$ -
	-	06/30/2016	1.5	-	-	-
Change of assumptions						
Investment losses (gains)	(1,012,024)	06/30/2015	5.0	(202,405)	-	(607,214)
	1,037,922	06/30/2016	5.0	207,584	<u>830,338</u>	<u>-</u>
Total					<u>\$ 830,338</u>	<u>\$ (607,214)</u>

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

Contributions subsequent to the measurement date totaling \$2,406,072 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, 2016. Amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 5,179
2018	5,179
2019	5,180
2020	207,586
2021	-
Thereafter	-

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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				
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				
Railroad Retirement System	0.80	0.80	5.20	33.50
Disabled Mortality/Recovery Rates				
1965 Railroad Retirement Board	44.06	44.06	45.30	53.30
Salary Scale				
4.0% annual increase to normal retirement, adjustment for longevity and sick pay	1.04	1.04	1.04	1.04
Rate of Retirement		<u>AGE</u>	<u>% RETIRING</u>	
Participants are assumed to retire according to a variable age distribution		55	50.00%	
		56	08.00%	
		57	08.70%	
		58	07.14%	
		59	07.69%	
		60	08.33%	
		61	09.09%	
		62	33.33%	
		63	25.00%	
		64	33.33%	
		65	100.00%	
Rate Of Investment Return		7.5% per annum for funding		
Social Security Projection		Wage base at 4.0% per annum		
		Cost of living escalation at 4.0% per annum		
Actuarial Valuation Method		Entry age normal method (level percentage of pay)		
Asset Valuation Method		Market value		
Provision for Expenses		None assumed		
Adjustment to Credited Service		Credited service adjusted to reflect accumulated sick leave		
Amortization Method		Level dollar		

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	107
Active employees	<u>255</u>
	<u>419</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2015, the Actuarially Determined Contribution (ADC) for the City was \$1,902,848 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, 2015, and the total pension liability (asset) 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8— RETIREMENT COMMITMENTS (Continued):

(B) TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (Continued):

Net Pension Liability (Asset) (Continued)

Actuarial assumptions (Continued):

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

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

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

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

Discount rate:

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2014	<u>\$ 31,215,732</u>	<u>\$ 29,764,986</u>	<u>\$ 1,450,746</u>
Changes for the year:			
Service cost	904,768	-	904,768
Interest	2,379,080	-	2,379,080
Differences between expected and actual experience	361,622	-	361,622
Contributions – employer	-	1,902,848	(1,902,848)
Contributions - employees	-	-	-
Net investment income	-	931,379	(931,379)
Benefit payments, including refunds of employee contributions	(798,854)	(798,854)	-
Administrative expense	<u>-</u>	<u>(12,952)</u>	<u>12,952</u>
Net Changes	<u>2,846,616</u>	<u>2,022,421</u>	<u>824,195</u>
Balance at June 30, 2015	<u>\$ 34,062,348</u>	<u>\$ 31,787,407</u>	<u>\$ 2,274,941</u>

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

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

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The City's net pension liability (asset)	\$ 7,412,866	\$ 2,274,941	\$(1,968,949)

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

Pension expense:

For the year ended June 30, 2016, The City recognized pension expense of \$874,915.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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	\$ 321,442	\$ 18,035
Net difference between projected and actual earnings on pension plan investments	1,073,527	1,363,748
Contributions subsequent to the measurement date of June 30, 2015	<u>1,949,366</u>	<u>-</u>
Total	<u>\$ 3,344,335</u>	<u>\$ 1,381,783</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” 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:	
2017	\$ (148,597)
2018	(148,597)
2019	(148,597)
2020	305,986
2021	115,388
Thereafter	37,603

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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. Employer contributions by Alcoa City Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$815,752 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Pension Liabilities (assets)

At June 30, 2016, Alcoa City Schools reported a liability of \$95,310 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of that date. Alcoa City Schools' proportion of the net pension liability was based on Alcoa City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Alcoa City Schools' proportion was 0.232672 percent. The proportion measured as of June 30, 2014 was 0.221788 percent.

Negative pension expense

For the year ended June 30, 2016, Alcoa City Schools recognized negative pension expense of \$50,303.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, 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	\$ 76,491	\$ 1,483,520
Net difference between projected and actual earnings on pension plan investments	1,721,006	2,336,360
Changes in proportion of Net Pension Liability (Asset)	150,815	-
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>815,752</u>	<u>-</u>
TOTAL	<u>\$ 2,764,064</u>	<u>\$ 3,819,880</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 \$815,752, reported as pension related deferred outflows of resources, subsequent to the measurement date will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	(599,778)
2018	(599,778)
2019	(599,778)
2020	179,009
2021	(251,243)
Thereafter	-

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Actuarial Assumptions (Continued)

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

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

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

Discount rate:

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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

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

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ 6,497,938	\$ 95,310	\$(5,205,310)

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

Plan Description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Alcoa City Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Benefits Provided (Continued)

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Alcoa City Schools for the year ended June 30, 2016 to the Teacher Retirement Plan were \$53,225 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, 2016, Alcoa City Schools reported an asset of \$1,074 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, 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, 2015 Alcoa City Schools’ proportion was 0.026702 percent.

Pension Expense

For the year ended June 30, 2016, Alcoa City Schools’ recognized pension expense of \$1,408.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, 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	\$ -	\$ 350
Net difference between projected and actual earnings on pension plan investments	87	-
LEAs contributions subsequent to the measurement date of June 30, 2015	<u>53,225</u>	<u>-</u>
Total	<u>\$ 53,312</u>	<u>\$ 350</u>

Alcoa City Schools’ employer contributions of \$53,225 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, 2017. 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:	
2017	\$ (7)
2018	(7)
2019	(7)
2020	(7)
2021	(29)
Thereafter	(204)

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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

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

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

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

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

Discount rate

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

	1% Decrease	Current	1% Increase
	<u>(6.5%)</u>	<u>Discount Rate</u>	<u>(8.5%)</u>
		<u>(7.5%)</u>	
Alcoa City Schools’ Proportionate share of the net pension liability (asset)	\$ 190	\$ (1,074)	\$ (2,002)

Pension plan fiduciary net position

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

(E) 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 \$17,098,134 and \$18,490,734 as of June 30, 2016 and 2015, respectively.

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

Asset balance at July 1, 2015	\$ 18,490,734
Deferrals of compensation	2,253,803
Investment appreciation/depreciation	861,203
Withdrawals	<u>(4,507,606)</u>
Asset balance at June 30, 2016	<u>\$ 17,098,134</u>

(F) OTHER POST-EMPLOYMENT BENEFITS:

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

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

CITY OF ALCOA – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Background

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

Plan Description

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

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

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

Funding Policy

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

	<u>2014/2015</u>	<u>2015/2016</u>
Net OPEB Obligation – July 1	\$ <u>313,393</u>	\$ <u>451,177</u>
Annual Required Contribution (ARC)	395,552	310,746
Interest on Net OPEB Obligation	12,536	18,047
Adjustment on ARC	<u>(10,339)</u>	<u>(15,367)</u>
Annual OPEB Cost	<u>397,749</u>	<u>313,426</u>
Annual Employer Trust Contribution	-	-
Employer Payments for Retiree Benefits	<u>(259,965)</u>	<u>(153,159)</u>
Total Contribution	<u>(259,965)</u>	<u>(153,159)</u>
Increase in Net OPEB Obligation	<u>137,784</u>	<u>160,267</u>
Net OPEB Obligation – June 30	\$ <u>451,177</u>	\$ <u>611,444</u>

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

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

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

(Continued)

**CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued):

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

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

ACTUARIAL METHOD AND ASSUMPTION

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

Funding Investment Rate	4%
Medical Trend Rate	8% graded down to 6% after 4 years, and 6% thereafter
Inflation Rate Assumption	3%
Ultimate Trend Rate.....	6%
Actuarial Cost Method	Entry Age Normal
Annual Payroll Growth Rate.....	4.00%
Remaining amortization period at June 30, 2016	30 years

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

Background

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

Plan Description

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

Funding Policy

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

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

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

	<u>2014/2015</u>	<u>2015/2016</u>
Net OPEB Obligation – July 1	\$ 347,820	\$ 444,244
Annual Required Contribution (ARC)	236,778	217,975
Interest on Net OPEB Obligation	13,913	17,770
Adjustment on ARC	<u>(14,175)</u>	<u>(18,378)</u>
Annual OPEB Cost	<u>236,516</u>	<u>217,367</u>
Annual Employer Trust Contribution	-	-
Employer Payments for Retiree Benefits	<u>(140,092)</u>	<u>(68,500)</u>
Total Contribution	<u>(140,092)</u>	<u>(68,500)</u>
Increase in Net OPEB Obligation	<u>96,424</u>	<u>148,867</u>
Net OPEB Obligation – June 30	<u>\$ 444,244</u>	<u>\$ 593,111</u>

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

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

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – RETIREMENT COMMITMENTS (Continued):

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)

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

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

Actuarial Method and Assumption

The ARC for fiscal year ended June 30, 2016 was determined as part of the July 1, 2012 actuarial valuation using the entry age normal method – a method under which the Actuarial Present Value of the Projected Benefits is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages.

Significant assumptions used in the actuarial valuation include:

Investment Return Rate	4%
Medical Trend Rate	8% graded down to 6% over 4 years, and 6% thereafter
Inflation Assumption	3%
Ultimate Trend Rate.....	6%
Actuarial Cost Method.....	Entry Age Normal
Annual Payroll Growth Rate.....	3.00%
Remaining amortization period at June 30, 2016	27 years

NOTE 9 – EMPLOYEE HEALTH INSURANCE, INTERNAL SERVICE FUND:

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

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 and the Cities of Alcoa and Maryville, Tennessee was organized pursuant to a resolution of the Blount County Quarterly Court in a special called session on September 30, 1969. A certificate of incorporation was received from the Secretary of State of the State of Tennessee dated October 1, 1969. The Industrial Development Board is governed by seven (7) directors. The purpose of the Industrial Development Board is to promote industrial development, provide additional job opportunities in Blount County, Tennessee and surrounding areas, and to exercise the authority and pursue the objectives of an industrial development corporation as provided for in Title 7, Chapter 53, of the Tennessee Code Annotated.

For the fiscal year ended June 30, 2016, the City of Alcoa contributed \$620,727 to the Industrial Development Board of Blount County.

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

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

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

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

(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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – JOINT VENTURES (Continued):

(B) BLOUNT COUNTY PUBLIC LIBRARY (Continued):

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.

For the fiscal year ended June 30, 2016, the City of Alcoa contributed \$196,513 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, 2016, is presented below:

Revenues	\$ 1,184,253
Other Sources – Operating Transfers	959,108
Expenditures	<u>(2,161,810)</u>
Excess of Revenues and Other Sources Over Expenditures	(18,449)
Fund Balance – July 1, 2015	<u>829,748</u>
Fund Balance – June 30, 2016	<u>\$ 811,299</u>
Total Assets	<u>\$ 872,623</u>
Total Liabilities	<u>\$ 61,324</u>
Total Fund Balance	<u>\$ 811,299</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 \$151,064 to the Emergency Communications District of Blount County during the fiscal year ended June 30, 2016. Summary financial information as required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2016, is presented at the top of the next page:

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – JOINT VENTURES (Continued):

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

Operating Revenues.....	\$ 1,422,519
Operating Expenses	<u>1,893,358</u>
Operating Income (loss)	(470,839)
Non-Operating Revenues	<u>1,075,882</u>
Change in Net Position	605,043
Net Position – July 1, 2015	<u>3,071,830</u>
Net Position – June 30, 2016	<u>\$ 3,676,873</u>
Total Assets	<u>\$ 5,466,088</u>
Total Liabilities	<u>\$ 1,789,215</u>
Total Net Position.....	<u>\$ 3,676,873</u>

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, 2016, amounted to \$69,832. Summary financial information required by accounting principles generally accepted in the United States of America for the fiscal year ended June 30, 2016, is presented below:

Revenues	\$ 1,053,056
Expenditures.....	<u>(25,690)</u>
Excess of Revenues Over Expenditures Before Franchise	
Fee Distributions	1,027,366
Franchise Fee Distributions to County and Cities	<u>(1,027,462)</u>
Excess (Deficiency) of Revenues Over Expenditures	(96)
Fund Balance – July 1, 2015	<u>18,459</u>
Fund Balance – June 30, 2016.....	<u>\$ 18,363</u>
Total Assets.....	<u>\$ 268,453</u>
Total Liabilities	<u>\$ 250,090</u>
Total Fund Balance	<u>\$ 18,363</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – JOINT VENTURES (Continued):

(D) BLOUNT COUNTY CABLE TELEVISION AUTHORITY (Continued)

No joint venture debt was reported on the financial statements of the Cable Television Authority as of June 30, 2016. 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. 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 \$497,019 to the operations of the Commission during the fiscal year ended June 30, 2016, and expended an additional \$89,149 for recreation and parks improvements. For the year ended June 30, 2015, the City contributed \$483,210 for Commission operations and \$70,177 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, 2014, is presented below.

Revenues.....	\$ 2,725,195
Expenditures	<u>2,558,176</u>
Excess of Revenues Over Expenditures	167,019
Fund Balance – July 1, 2015.....	<u>1,144,275</u>
Fund Balance – June 30, 2016.....	<u>\$ 1,311,294</u>
Total Assets	<u>\$ 1,731,278</u>
Total Liabilities.....	<u>\$ 419,984</u>
Total Fund Balance.....	<u>\$ 1,311,294</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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – JOINT VENTURES (Continued):

(E) RECREATION AND PARKS COMMISSION (Continued)

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 June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 11,500	\$ 1,175	\$ 12,675
2018	<u>12,000</u>	<u>600</u>	<u>12,600</u>
Total	<u>\$ 23,500</u>	<u>\$ 1,775</u>	<u>\$ 25,275</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%).

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>
2016	<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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – JOINT VENTURES (Continued):

JOINT DEVELOPMENT OF INDUSTRIAL PARKS (Continued):

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

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.

The City's funding pursuant to this agreement is \$5,000,000 which is complete at June 30, 2016.

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 \$2,197,113 in operating costs for the year ended June 30, 2016 (June 30, 2015 amount paid \$2,018,333).

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 \$118,290 and \$87,297 for the years ended June 30, 2016 and June 30, 2015, 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 \$9,254,595 reported as restricted cash and landfill closure and postclosure care liability at June 30, 2016, 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.

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.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 – REFUNDING OF DEBT/NEW DEBT:

(A) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2016A

In 2016, the City of Alcoa issued \$9,625,000 General Obligation Refunding Bonds. The refunding bonds were issued to refund Series 2008 General Obligation Bond and Local Government Improvement Bond B-17-A. The 2016 Refunding Bonds were issued for Water and Sewer fund \$5,315,000 and General fund \$4,310,000 with annual installments of \$65,000 to \$975,000 through June 2042, variable interest rate.

(B) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2016B

In 2016, the City of Alcoa issued \$4,395,000 Landfill General Obligation Refunding Bonds. The refunding bonds were issued to refund Series 2009 Landfill General Obligation Bond. The bonds are due in annual installments of \$675,000 to \$775,000, 2% interest rate.

(C) REFUNDING:

During a prior year, the City of Alcoa issued \$87,735,000 of fixed rate Local Government Improvement Bonds to provide resources for the current refunding of ten (10) General Obligation and Revenue Bonds. The purpose of these transactions was to reduce the City's exposure to interest rate volatility in the insured bond market. As a result, the refunding bonds were redeemed, and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$701,880. This amount was netted against the new debt and amortized over the remaining life of the refunded debt. The City's financial advisors were not able to determine the cumulative savings or economic gain from the refunding transactions due to the variable rate debt instruments involved.

(D) GENERAL OBLIGATION REFUNDING BONDS – SERIES 2014:

In 2014, the City of Alcoa issued \$9,000,000 General Obligation Refunding bonds (taxable). The refunding bonds were issued to refund Series 2006 General Obligation Public Works. The 2014 Refunding Bonds mature in annual installments of \$660,000 to \$830,000 through June 2026, variable interest rate.

(E) GENERAL OBLIGATION BONDS – SERIES 2015:

In 2015, the City of Alcoa issued \$9,995,000 General Obligation Bonds for the construction of a new high school. The bonds are due in annual installments of \$245,000 to \$545,000 through June 2045, 2% to 4% interest rate.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 – FUND BALANCES:

(A) FUND BALANCES:

At June 30, 2016, fund balances are as follows:

	Fund Balance Summary Major Governmental Funds							Sub-totals	Description
	General Fund	General Purpose School Fund	Debt Service Fund	General Obligation Public Works Construction	School Construction And Improvement Fund	Alcoa High School Construction Fund	Nonmajor Governmental Funds		
NONSPENDABLE									
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Nonspendable
RESTRICTED TO:									
General Fund	165,441	-	-	-	-	-	-	165,441	Restricted
Streets and Roads	-	-	-	-	-	-	659,038	659,038	Restricted
Vehicle enforcement	-	-	-	-	-	-	1,639	1,639	Restricted
Drug enforcement	-	-	-	-	-	-	18,415	18,415	Restricted
Public Works									
Construction	-	-	-	3,611,429	-	-	-	3,611,429	Restricted
Capital projects	-	-	-	-	-	-	26,464	26,464	Restricted
ASSIGNED TO:									
Education	-	1,184,448	-	-	-	-	-	1,184,448	Restricted
Education Construction	-	-	-	-	105,253	270,414	-	375,667	Assigned
General fund	947,010	-	-	-	-	-	-	947,010	Assigned
Education – Cafeteria	-	-	-	-	-	-	13,157	13,157	Assigned
Education -									
Extended Day	-	-	-	-	-	-	175,744	175,744	Assigned
Debt Service	-	-	1,019,041	-	-	-	-	1,019,041	Assigned
Home Grant Program	-	-	-	-	-	-	743	743	Assigned
2001 Special projects	-	-	-	-	-	-	319,167	319,167	Assigned
Equipment replacement	-	-	-	-	-	-	500,141	500,141	
Landscaping	-	-	-	-	-	-	83,038	83,038	Assigned
UNASSIGNED	5,355,971	-	-	-	-	-	-	5,355,971	Unassigned
Totals	\$ 6,468,422	\$ 1,184,448	\$ 1,019,041	\$ 3,611,429	\$ 105,253	\$ 270,414	\$ 1,797,546	\$ 14,456,553	

(B) CHANGES IN PROPRIETARY FUNDS' NET POSITION:

	Governmental Activities Internal Service Funds	Enterprise Funds				
		Stormwater Utility	Water and Sewer Utility	Electric Utility	Landfill	Total
Net Position – Beginning (restated)	\$ 1,161,240	\$ 982,702	\$ 20,312,350	\$ 36,274,464	\$ 2,575,050	\$ 60,144,566
Change in Net Position	518,196	(84,881)	(1,294,448)	1,231,844	(44,373)	(191,858)
Net Position – Ending	\$ 1,679,436	\$ 897,821	\$ 19,017,902	\$ 37,506,308	\$ 2,530,677	\$ 59,952,708

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016 are as follows:

<u>Assets Recorded Under Capital Leases</u>	<u>Terms</u>	<u>Total Lease Amount</u>	<u>Total Interest/ Interest Rate</u>	<u>Balance of lease Obligation at June 30, 2016</u>
GOVERNMENTAL ACTIVITIES:				
General Fund:				
Civic Center Capital Lease		\$ 9,142,400 (1)		\$ 9,142,400
Communication Equipment		<u>751,750 (2)</u>	\$ 173,706/2.3%	412,342
Total Capital Leases – Governmental Funds		<u>\$ 9,894,150</u>		<u>\$ 9,554,742</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, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 76,176
2018	79,200
2019	82,344
2020	85,614
2021	<u>89,008</u>
Minimum lease payments for all capital leases except Civic Arts Center (1).....	412,342
Less: Amount representing interest at City's incremental borrowing rate of interest	<u>(12,370)</u>
Present Value of Minimum Lease Payments.....	<u>\$ 399,972</u>

(1) See Note 15 – (E) (1) Civic Arts Center

(2) See Note 15 – (E) (2) Communication Equipment

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 – COMMITMENTS (Continued):

(B) COMMITTED CONSTRUCTION:

As of June 30, 2016, the City of Alcoa, Tennessee, had the following commitments with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract or Estimated Amount</u>	<u>Costs Incurred through June 30, 2016</u>	<u>Estimated Cost to Complete</u>
West Plant Development	\$ 5,020,000	\$ 395,671	\$ 4,624,329
Electric Utility:			
Voltage and substation improvements, and line extensions	2,490,106	1,775,606	714,500
Fire Department Construction Project	598,000	507,210	90,790
New Alcoa High School	34,928,404	34,111,804	816,600
Springbrook Roundabout	250,000	16,517	233,483
Phase IV Greenway	73,000	53,919	19,081
Greenway Extension Grant	901,515	18,850	882,665
Pistol Creek Phase IV	139,000	135,177	3,823
Duck Pond Centennial Park	75,000	52,792	22,208
Totals.....	<u>\$44,475,025</u>	<u>\$ 37,067,546</u>	<u>\$ 7,407,479</u>

(C) 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.

(D) 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%).

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; and approve all guidelines, restrictive covenants, and management policies regarding the Industrial Park.

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 – COMMITMENTS (Continued):

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

In addition to the financial assistance provided to the Industrial Development Board by the City of Maryville, the City of Alcoa, Blount County, and Knox County, the Industrial Development Board is to receive the proceeds from the sale of land in the Park. Also, amounts equivalent to the property taxes received with respect to any property within the Industrial Park is to be contributed to the Industrial Board if needed for operation. Otherwise, the property taxes are remitted to the two (2) cities and two (2) counties based upon an equal share of 25% each.

The City's funding pursuant to this agreement was \$5,000,000.

(E) CAPITAL LEASE – OBLIGATION:

(1) Civic Arts Center (Note 15-(A))

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 \$5,142,600.

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, 2016:

Present Value of Minimum Lease Payments	<u>Interest</u>	Total Minimum Lease Payments
<u>\$ 9,142,400</u>	<u>\$ 6,213,260</u>	<u>\$ 15,355,660</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 – COMMITMENTS (Continued):

(F) CAPITAL LEASE – OBLIGATIONS (Continued):

(1) Civic Arts Center (Continued)

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

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

(2) Communications Center Equipment

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 prorated share of the equipment. The terms of the agreement require the City to make lease payments totaling \$751,750, plus interest at 3.97%. 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>\$ 412,342</u>	<u>\$ 50,388</u>	<u>\$ 462,730</u>

These total minimum lease payments are payable as follows:

Year Ending June 30,	Civic Center	Communication Equipment
2017	\$ 605,100	\$ 92,546
2018	610,650	92,546
2019	605,525	92,546
2020	605,175	92,546
2021	604,375	92,546
Subtotal	<u>3,030,825</u>	<u>462,730</u>
2022 – 2026	3,027,100	92,547
2027 – 2031	3,029,075	-
2032 – 2036	3,032,625	-
2037 – 2038	<u>3,236,035</u>	<u>-</u>
Subtotal	<u>12,324,835</u>	
Total	<u>\$ 15,355,660</u>	<u>\$ 555,277</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 17 – LITIGATION:

There are several pending lawsuits in which the City is involved. Information provided by attorneys for the City indicates that potential claims against the City resulting from such litigation which are not covered by insurance would not materially affect the financial statements of the City.

NOTE 18 – RISK FINANCING ACTIVITIES:

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and workers compensation. Settled claims have not exceeded this commercial coverage in the last three (3) years.

The City maintains its funds with financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must be equal to at least one hundred five percent (105%) of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public funds accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Under this assessment agreement, public funds accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

NOTE 19 – CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS (GOVERNMENTAL FUNDS):

The following items are used in the calculation of net investment in capital assets as follows in the Statement of Net Position:

	Governmental Activities Net Investment In Capital Assets
Total Capital Assets	\$ 96,964,884
Long-Term Debt and Current Debt.....	(86,071,675)
Items in Long-Term Debt:	
Add – compensated absences.....	911,933
Civic Center debt.....	<u>6,500,000</u>
June 30, 2016	<u>\$ 18,305,142</u>

(Continued)

CITY OF ALCOA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 20 – INVESTIGATIVE AUDIT BY THE TENNESSEE COMPTROLLER OF THE TREASURY

The Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigations, performed an investigative audit of selected records of the City of Alcoa. The audit focused primarily on the period from July 1, 2007 through May 16, 2013. The investigation revealed that a former school employee misappropriated school cash of at least \$344, 204. A plea agreement was filed in the Eastern District Knoxville U.S. District Court on May 20, 2014. The plea agreement included an agreement of restitution, although as of December 9, 2015 no funds were received from the former employee of the schools.

Additionally, the City of Alcoa will seek restitution through the court system and through the City's insurer, who has paid the City \$149,000 reflected as deferred revenue in the Education Fund, pending grantor approval for expending the monies. Current year collections of \$328 represent restitution payments made through the court system.

NOTE 21 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 24, 2017, which is the date on which the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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>
Total pension liability		
Service cost	\$ 894,770	\$ 904,768
Interest	2,204,346	2,379,080
Changes in benefit terms	-	-
Differences between actual & expected experience	(23,187)	361,622
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(173,405)</u>	<u>(798,854)</u>
Net change in total pension liability	2,362,524	2,846,616
Total pension liability-beginning	<u>28,853,208</u>	<u>31,215,732</u>
Total pension liability-ending (a)	<u>\$ 31,215,732</u>	<u>\$ 34,062,348</u>
Plan fiduciary net position		
Contributions – employer	\$ 1,770,618	\$ 1,902,848
Contributions – employee	-	-
Net investment income	4,154,442	931,379
Benefit payments, including refunds of employee contributions	(713,405)	(798,854)
Administrative expense	<u>(10,211)</u>	<u>(12,952)</u>
Net change in plan fiduciary net position	5,201,444	2,022,421
Plan fiduciary net position – beginning	<u>24,563,542</u>	<u>29,764,986</u>
Plan fiduciary net position – ending (b)	<u>\$ 29,764,986</u>	<u>\$ 31,787,407</u>
Net Pension Liability (asset)-ending (a) – (b)	<u>\$ 1,450,746</u>	<u>\$ 2,274,941</u>
Plan fiduciary net position as a percentage of total pension liability	95.35%	93.32%
Covered-employee payroll	\$ 11,108,012	\$ 11,714,226
Net Pension liability (asset) as a percentage of covered-employee payroll	13.06%	19.42%

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, 2016

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>
Actuarially determined contribution	\$ 1,770,618	\$ 1,902,848	\$ 1,949,366
Contributions in relation to the actuarially determined contribution	<u>1,770,618</u>	<u>1,902,848</u>	<u>1,949,366</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 11,108,012	\$ 11,714,226	\$ 12,003,485
Contributions as a percentage covered – employee payroll	15.94%	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, 2016**

**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>
Alcoa City Schools' proportion of the net pension asset	0.221788%	0.232672%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (36,040)	\$ 95,310
Alcoa City Schools' covered-employee payroll	8,705,181	8,710,070
Alcoa City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.41)%	1.09%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

*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, 2016**

**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>
Actuarially determined contribution (ADC)	\$ 773,020	\$ 787,391	\$ 815,752
Contributions in relation to the actuarially determined contribution	<u>773,020</u>	<u>787,391</u>	<u>815,752</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Alcoa City Schools' covered-employee payroll	\$ 8,705,181	\$ 871,070	\$ 9,023,805
Contributions as a percentage of Alcoa City Schools' covered-employee payroll	8.88%	9.04%	9.04

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

City of Alcoa, Tennessee
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

**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>
Alcoa City Schools' proportion of the net pension liability (asset)	0.026702%
Alcoa City Schools' proportionate share of the net pension liability (asset)	\$ (1,074)
Alcoa City Schools' covered payroll	\$ 55,480
Alcoa City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

*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, 2016**

**SCHEDULE OF ALCOA CITY SCHOOLS' CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
For the Fiscal Years Ended June 30**

	<u>2015</u>	<u>2016</u>
Contractually required	\$ 55	\$ -
Contributions in relation to the contractually required contribution	<u>2,219</u>	<u>53,225</u>
Contribution deficiency (excess)	<u>\$ (2,164)</u>	<u>\$ 53,225</u>
Alcoa City Schools' covered-employee payroll	\$ 55,480	\$ 1,330,625
Contributions as a percentage of Alcoa City Schools' covered-employee payroll	4%	4%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGES 105 - 110
For the Fiscal Year Ended June 30, 2016

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	5 years
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, averaging 4.25 percent
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, 2016

EMPLOYEE RETIREMENT SYSTEM OF THE CITY OF ALCOA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 232,880	\$ 190,824	\$ 205,136
Interest	2,612,606	2,688,755	2,695,269
Changes of benefit terms	-	-	-
Differences between expected and actual experience	547,119	-	117,353
Changes of assumptions	-	-	(1,221,352)
Benefit payments/refunds	<u>(2,549,182)</u>	<u>(2,587,026)</u>	<u>(2,832,855)</u>
Net Change in Total Pension Liability	834,423	292,553	(1,036,449)
Total Pension Liability – Beginning	<u>36,109,338</u>	<u>36,952,761</u>	<u>37,245,314</u>
Total Pension Liability – Ending (a)	<u><u>\$ 36,952,761</u></u>	<u><u>\$ 37,245,314</u></u>	<u><u>\$ 36,208,865</u></u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 1,451,649	\$ 2,173,944	\$ 2,406,072
Contributions – employee	-	-	-
Net investment income	2,612,615	693,555	802,129
Benefit payments/refunds	(2,549,182)	(2,587,026)	(2,832,855)
Administrative expenses	(75,650)	(73,003)	(83,979)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$ 1,439,432	\$ 207,470	\$ 291,367
Plan Fiduciary Net Position – Beginning	<u>21,889,974</u>	<u>23,329,406</u>	<u>23,536,876</u>
Plan Fiduciary Net Position – ending (b)	<u><u>\$ 23,329,406</u></u>	<u><u>\$ 23,536,876</u></u>	<u><u>\$ 23,828,243</u></u>
Plan Pension Liability – ending (a) – (b)	<u><u>\$ 13,623,355</u></u>	<u><u>\$ 13,708,438</u></u>	<u><u>\$ 12,380,622</u></u>
Plan Fiduciary Net Position as a % of the Total			
Pension Liability	63%	63%	66%
Covered-employee payroll	\$ 3,747,156	\$ 3,747,156	\$ 3,087,577
Net Pension Liability as a % of covered employee			
Payroll	364%	366%	401%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 years of information is available.

**CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
PRESENTED ON PAGE 112
For the Fiscal Year Ended June 30, 2016**

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Amortization method	Level dollar, closed (not to exceed 20 years)
Asset valuation	Market Value
Inflation	4.0 percent
Salary increases	4 percent annual increase to normal retirement on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	RP-2000 Mortality Tables, customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	4 percent

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH BENEFITS (OPEB)

The City implemented GASB 45 in the fiscal year ended 6/30/09; therefore, six years of data is not available, but will be accumulated over time. The above values were calculated using the Entry Age Normal Method, discount rates of 6%, and the initial unfunded actuarial liability is amortized over thirty years based on a level percentage of payroll method. Using this method, benefits are projected for life and their present value is determined, which are divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

PRIMARY GOVERNMENT

(Dollar amounts in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2016 (6)	7/1/2016	\$ -	\$ 4,861	\$ 4,861	0%	12,618	38.5%
2015 (5)	7/1/2015	-	5,790	5,790	0%	13,076	44.3%
2014 (5)	7/1/2014	-	5,656	5,656	0%	13,076	43.3%
2013 (4)	7/1/2012	-	5,561	5,561	0%	12,441	44.7%
2012 (4)	7/1/2012	-	5,424	5,424	0%	12,441	43.6%
2011 (3)	7/1/2010	-	4,231	4,231	0%	13,540	31.2%
2010 (3)	7/1/2009	-	4,187	4,187	0%	13,540	30.9%
2009 (1)	7/1/2006	-	2,642	2,642	0%	11,415	23.1%

Schedule of Employer Contributions:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percent Contributed</u>
2010 – 2011	266,169	306,995	115%
2011 – 2012	328,633	224,157	68%
2012 – 2013	347,563	246,573	71%
2013 – 2014	376,035	238,500	63%
2014 – 2015	397,749	259,965	65%
2015 – 2016	313,426	263,603	84%

- (1) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 7/1/06.
- (2) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 1/1/07.
- (3) Information for the fiscal years 2010 and 2011 is based on results from an actuarial valuation performed as of 7/1/10.
- (4) Information for the fiscal years 2012 and 2013 is based on results from an actuarial valuation performed as of 7/1/12.
- (5) Information for the fiscal years 2014 and 2015 is based on results from an actuarial valuation performed as of 7/1/14.
- (6) Information for the fiscal year 2016 is based on results from an actuarial valuation performed as of 7/1/16.

(Continued)

CITY OF ALCOA, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH BENEFITS (OPEB) (Continued)

EDUCATION

(Dollar amounts in thousands)

<u>Fiscal Year Ended June 30.</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2016 (6)	7/1/2016	\$ -	\$ 2,104	\$ 2,104	0%	\$ 9,950	21.0%
2015 (5)	7/1/2015	-	2,372	2,372	0%	8,507	27.0%
2014 (5)	7/1/2014	-	2,291	2,291	0%	8,507	27.0%
2013 (3)	7/1/2012	-	1,849	1,849	0%	8,519	21.1%
2012 (3)	7/1/2012	-	1,799	1,799	0%	8,519	21.1%
2011 (2)	7/1/2010	-	1,846	1,846	0%	8,396	22.0%
2010 (2)	7/1/2010	-	1,786	1,786	0%	8,396	21.3%
2009 (1)	1/1/2007	-	3,543	3,543	0%	8,128	43.6%

Schedule of Employer Contributions:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percent Contributed</u>
2010 – 2011	188,491	188,502	100%
2011 – 2012	182,536	100,123	55%
2012 – 2013	182,536	68,500	37%
2013 – 2014	223,922	128,525	57%
2014 – 2015	236,516	140,092	59%
2015 - 2016	217,367	111,185	51%

- (1) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 7/1/06.
- (2) Information for the fiscal year 2009 is based on results from an actuarial valuation performed as of 1/1/07.
- (3) Information for the fiscal years 2010 and 2011 is based on results from an actuarial valuation performed as of 7/1/10.
- (4) Information for the fiscal years 2012 and 2013 is based on results from an actuarial valuation performed as of 7/1/12.
- (5) Information for the fiscal years 2014 and 2015 is based on results from an actuarial valuation performed as of 7/1/14.
- (6) Information for the fiscal year 2016 is based on results from an actuarial valuation performed as of 7/1/16.

(Continued)

CITY OF ALCOA, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION
June 30, 2016

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET
Non-Major Governmental Funds
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Special Revenue Funds						2016 Total Special Revenue Funds	2015 Total Specia Revenue Funds
ASSETS	State Street Aid	Federal Projects	Alcoa City Schools Cafeteria	Alcoa Schools Extended Day Program	Drug Fund	Commercial Motor Vehicle Fines		
Cash and cash equivalents	\$ 714,885	\$ 44,152	\$ 124,315	\$ 178,088	\$ 18,415	\$ 1,635	\$ 1,081,490	\$ 909,490
Local Government Investment Pool	-	-	-	-	-	-	-	-
Accounts and assessments receivable	20,470	-	-	3,860	-	4	24,334	27,430
Due from grantors, other governments, and State of Tennessee	-	10,763	34,174	-	-	-	44,937	46,780
Due from other funds	-	-	-	-	-	-	-	-
Total Assets	\$ 735,355	\$ 54,915	\$ 158,489	\$ 181,948	\$ 18,415	\$ 1,639	\$ 1,150,761	\$ 983,700
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 76,317	\$ 9,120	\$ 145,332	\$ 6,064	\$ -	\$ -	\$ 236,833	\$ 89,857
Unapplied grant funds	-	45,795	-	-	-	-	45,795	113,224
Unearned fee income	-	-	-	140	-	-	140	2,752
Due to other funds	-	-	-	-	-	-	-	69,550
Due to Blount County	-	-	-	-	-	-	-	-
Total Liabilities	76,317	54,915	145,332	6,204	-	-	282,768	275,383
Fund Balances								
Restricted	659,038	-	-	-	18,415	1,639	679,092	548,609
Assigned	-	-	13,157	175,744	-	-	188,901	159,708
Total Fund Balances	659,038	-	13,157	175,744	18,415	1,639	867,993	708,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 735,355	\$ 54,915	\$ 158,489	\$ 181,948	\$ 18,415	\$ 1,639	\$ 1,150,761	\$ 983,700

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
COMBINING BALANCE SHEET (Continued)
Non-Major Governmental Funds
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Capital Project Funds						2016 Total Capital Project Funds	Total Non-Major Governmental Funds	
	Capital Projects	Special Projects	2001 Special Projects	Equipment Replacement Fund	Home Grant Program Fund	Landscaping Fund		2016	2015
ASSETS									
Cash and cash equivalents.....	\$ 24,964	\$ 91,096	\$ 319,167	\$ 475,522	\$ 743	\$ 83,038	\$ 994,530	\$ 2,076,020	\$ 1,160,683
Local Government Investment Pool	-	-	-	-	-	-	-	-	302,976
Accounts and assessments receivable ..	96,120	-	-	32,854	-	-	128,974	153,308	27,430
Due from grantors, other governments, and State of Tennessee	-	-	-	-	-	-	-	44,937	137,876
Total Assets.....	\$ 121,084	\$ 91,096	\$ 319,167	\$ 508,376	\$ 743	\$ 83,038	\$ 1,123,504	\$ 2,274,265	\$ 1,628,965
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 94,620	\$ -	\$ -	\$ 8,235	\$ -	\$ -	\$ 102,855	\$ 339,688	\$ 190,978
Unapplied grant funds	-	-	-	-	-	-	-	45,795	113,224
Unearned fee income.....	-	-	-	-	-	-	-	140	2,752
Due to other funds	-	-	-	-	-	-	-	-	69,550
Due to Blount County	-	91,096	-	-	-	-	91,096	91,096	91,096
Total Liabilities	94,620	91,096	-	8,235	-	-	193,951	476,719	467,600
Fund Balances:									
Restricted.....	26,464	-	-	-	-	83,038	109,502	788,594	635,033
Assigned	-	-	319,167	500,141	743	-	820,051	1,008,952	526,332
Total Fund Balances.....	26,464	-	319,167	500,141	743	83,038	929,553	1,797,546	1,161,365
Total Liabilities and Fund Balances	\$ 121,084	\$ 91,096	\$ 319,167	\$ 508,376	\$ 743	\$ 83,038	\$ 1,123,504	\$ 2,274,265	\$ 1,628,965

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Special Revenue Funds						2016 Total	2015 Total
	State Street Aid	Federal Projects	Alcoa City Schools Cafeteria	Alcoa Schools Extended Day Program	Drug Fund	Commercial Motor Vehicle Fines	Special Revenue Funds	Special Revenue Funds
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State gasoline tax	231,557	-	-	-	-	-	231,557	221,561
Federal and state grants	-	839,280	-	-	-	-	839,280	833,318
U.S.D.A. reimbursements	-	-	577,126	-	-	-	577,126	477,162
Charges for services	-	-	349,831	226,608	-	-	576,439	516,054
Fines, forfeitures and court cases ..	-	-	-	-	23,681	119	23,800	28,940
Investment income	-	-	50	-	-	-	50	98
Sale of equipment.....	-	-	-	-	-	-	-	-
Total Revenues.....	<u>231,557</u>	<u>839,280</u>	<u>927,007</u>	<u>226,608</u>	<u>23,681</u>	<u>119</u>	<u>2,248,252</u>	<u>2,077,133</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	20,516	-	20,516	35,228
Public Works	104,358	-	-	-	-	-	104,358	79,347
Culture and Recreation.....	-	-	-	-	-	-	-	-
Education	-	839,280	947,222	177,200	-	-	1,963,702	1,831,990
Capital Outlay	-	-	-	-	-	-	-	30,719
Total Expenditures	<u>104,358</u>	<u>839,280</u>	<u>947,222</u>	<u>177,200</u>	<u>20,516</u>	<u>-</u>	<u>2,088,576</u>	<u>1,977,284</u>
Net Change in Fund Balance Before Other Financing Sources (Uses).....	<u>127,199</u>	<u>-</u>	<u>(20,215)</u>	<u>49,408</u>	<u>3,165</u>	<u>119</u>	<u>159,676</u>	<u>99,849</u>
Other Financing Sources (Uses):								
Transfers In:								
General Fund.....	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Issuance of Debt.....	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance.....	127,199	-	(20,215)	49,408	3,165	119	159,676	99,849
Fund Balance, July 1 st	<u>531,839</u>	<u>-</u>	<u>33,372</u>	<u>126,336</u>	<u>15,250</u>	<u>1,520</u>	<u>708,317</u>	<u>608,468</u>
Fund Balance, June 30th	<u>\$ 659,038</u>	<u>\$ -</u>	<u>\$ 13,157</u>	<u>\$ 175,744</u>	<u>\$ 18,415</u>	<u>\$ 1,639</u>	<u>\$ 867,993</u>	<u>\$ 708,317</u>

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Capital Project Funds</u>					<u>2016</u> <u>Capital</u> <u>Project</u> <u>Funds</u>	<u>Total</u> <u>Total Non-Major</u> <u>Governmental</u> <u>Funds</u>	
	<u>Capital</u> <u>Projects</u>	<u>2001</u> <u>Special</u> <u>Project</u>	<u>Equipment</u> <u>Replacement</u>	<u>Home</u> <u>Grant</u> <u>Program</u>	<u>Landscaping</u>		<u>2016</u>	<u>2015</u>
Revenues:								
Intergovernmental.....	\$ 121,860	\$ -	\$ 1,500	\$ -	\$ -	\$ 123,360	\$ 123,360	\$ 48,839
State gasoline tax	-	-	-	-	-	-	231,557	221,561
Federal and state grants.....	-	-	-	-	-	-	839,280	833,318
U.S.D.A. reimbursements	-	-	-	185,127	-	185,127	762,253	477,162
Charges for services.....	-	-	-	-	17,450	17,450	593,889	530,267
Fines, forfeitures and court cases..	-	-	-	-	-	-	23,800	28,940
Investment income.....	-	-	4,852	-	-	4,852	4,902	98
Sale of equipment	-	-	-	-	-	-	-	3,565
Total Revenues	<u>121,860</u>	<u>-</u>	<u>6,352</u>	<u>185,127</u>	<u>17,450</u>	<u>330,789</u>	<u>2,579,041</u>	<u>2,143,750</u>
Expenditures:								
Current:								
Public Safety.....	-	-	-	-	-	-	20,516	35,228
Public Works	-	24,818	-	-	-	24,818	129,176	79,657
Culture and Recreation	-	-	-	185,127	14,470	199,597	199,597	68,842
Education	-	-	-	-	-	-	1,963,702	1,831,990
Capital Outlay.....	<u>101,762</u>	<u>-</u>	<u>728,107</u>	<u>-</u>	<u>-</u>	<u>829,869</u>	<u>829,869</u>	<u>1,527,948</u>
Total Expenditures	<u>101,762</u>	<u>24,818</u>	<u>728,107</u>	<u>185,127</u>	<u>14,470</u>	<u>1,054,284</u>	<u>3,142,860</u>	<u>3,543,665</u>
Net Change in Fund Balance Before								
Other Financing Sources (Uses)	<u>20,098</u>	<u>(24,818)</u>	<u>(721,755)</u>	<u>-</u>	<u>2,980</u>	<u>(723,495)</u>	<u>(563,819)</u>	<u>(1,399,915)</u>
Other Financing Sources (Uses):								
Transfers In:								
General Fund	-	-	-	-	-	-	-	57,383
General Obligation Works								
Construction Fund	-	-	1,200,000	-	-	1,200,000	1,200,000	-
Transfers Out	-	-	-	-	-	-	-	-
Issuance of Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total Other Financing								
Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,057,383</u>
Net Change in Fund Balances.....	20,098	(24,818)	478,245	-	2,980	476,505	636,181	(342,532)
Fund Balance, July 1 st	<u>6,366</u>	<u>343,985</u>	<u>21,896</u>	<u>743</u>	<u>80,058</u>	<u>453,048</u>	<u>1,161,365</u>	<u>1,503,897</u>
Fund Balance, June 30th	<u>\$ 26,464</u>	<u>\$ 319,167</u>	<u>\$ 500,141</u>	<u>\$ 743</u>	<u>\$ 83,038</u>	<u>\$ 929,553</u>	<u>\$ 1,797,546</u>	<u>\$ 1,161,365</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
COMBINING FUND FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS
June 30, 2016

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, 2016
With Comparative Totals for June 30, 2015

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	School's OPEB Insurance Fund	Total Internal Service Funds	
						<u>2016</u>	<u>2015</u>
ASSETS:							
Cash.....	\$ 1,135,872	\$ 85	\$ 55,957	\$ 466,000	\$ 487,000	\$ 2,144,914	\$ 1,635,638
Accounts receivable	-	-	-	-	-	-	4,900
Due from other funds	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,135,872</u>	<u>\$ 85</u>	<u>\$ 55,957</u>	<u>\$ 466,000</u>	<u>\$ 487,000</u>	<u>\$ 2,144,914</u>	<u>\$ 1,640,538</u>
LIABILITIES:							
Medical claims payable	\$ 465,200	\$ -	\$ -	\$ -	\$ -	\$ 465,200	\$ 466,736
Accounts payable	-	-	278	-	-	278	12,562
Due to other funds	-	-	-	-	-	-	-
Total Liabilities.....	<u>465,200</u>	<u>-</u>	<u>278</u>	<u>-</u>	<u>-</u>	<u>465,478</u>	<u>479,298</u>
NET POSITION:							
Unrestricted	<u>670,672</u>	<u>85</u>	<u>55,679</u>	<u>466,000</u>	<u>487,000</u>	<u>1,679,436</u>	<u>1,161,240</u>
Total Net Position	<u>\$ 1,135,872</u>	<u>\$ 85</u>	<u>\$ 55,957</u>	<u>\$ 466,000</u>	<u>\$ 487,000</u>	<u>\$ 2,144,914</u>	<u>\$ 1,640,538</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, 2016
With Comparative Totals for June 30, 2015

	Employee Insurance <u>Fund</u>	Flexible Spending <u>Fund</u>	Service Center <u>Fund</u>	City OPEB Insurance <u>Fund</u>	School's OPEB Insurance <u>Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2016</u>	<u>2015</u>
OPERATING REVENUES:							
Insurance charges.....	\$ 4,519,815	\$ -	\$ -	\$ -	\$ -	\$ 4,519,815	\$ 4,616,299
Refunds – Co-insurance.....	157,000	-	-	-	-	157,000	99,464
Employee Contributions	258,011	198,411	-	-	-	456,422	432,251
Miscellaneous	-	-	-	-	-	-	568
Service Center charges.....	-	-	343,620	-	-	343,620	314,101
	<u>-</u>	<u>-</u>	<u>343,620</u>	<u>-</u>	<u>-</u>	<u>343,620</u>	<u>314,101</u>
Total Operating Revenues	<u>4,934,826</u>	<u>198,411</u>	<u>343,620</u>	<u>-</u>	<u>-</u>	<u>5,476,857</u>	<u>5,462,683</u>
OPERATING EXPENSES:							
Salaries	-	-	58,615	-	-	58,615	55,073
Fringe benefits	-	-	47,195	-	-	47,195	46,182
Building improvements.....	-	-	3,098	-	-	3,098	-
Improvement teams/training	-	-	1,365	-	-	1,365	1,043
Maintenance contracts	-	-	21,426	-	-	21,426	12,229
Contract services.....	-	-	1,380	-	-	1,380	3,763
Utilities	-	-	125,336	-	-	125,336	135,180
Supplies	-	-	9,282	-	-	9,282	7,061
Repair and maintenance.....	-	-	55,305	-	-	55,305	31,704
Insurance claims paid.....	3,147,126	201,609	-	-	-	3,348,735	3,519,804
Insurance claims, premiums and administrative expenses	1,399,269	-	-	-	-	1,399,269	1,430,848
Insurance.....	-	-	21,155	-	-	21,155	21,866
	<u>-</u>	<u>-</u>	<u>21,155</u>	<u>-</u>	<u>-</u>	<u>21,155</u>	<u>21,866</u>
Total Operating Expenses.....	<u>4,546,395</u>	<u>201,609</u>	<u>344,157</u>	<u>-</u>	<u>-</u>	<u>5,092,161</u>	<u>5,264,753</u>
OPERATING INCOME (LOSS).....	388,431	(3,198)	(537)	-	-	384,696	197,930

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, 2016
With Comparative Totals for June 30, 2015**

	Employee Insurance <u>Fund</u>	Flexible Spending <u>Fund</u>	Service Center <u>Fund</u>	City OPEB Insurance <u>Fund</u>	Schools OPEB Insurance <u>Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2016</u>	<u>2015</u>
NON-OPERATING REVENUES (EXPENSES):							
Transfers (out) in	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>68,500</u>	<u>133,500</u>	<u>133,500</u>
CHANGE IN NET POSITION	388,431	(3,198)	(537)	65,000	68,500	518,196	331,430
NET POSITION – July 1 st	<u>282,241</u>	<u>3,283</u>	<u>56,216</u>	<u>401,000</u>	<u>418,500</u>	<u>1,161,240</u>	<u>829,810</u>
NET POSITION, June 30th	<u>\$ 670,672</u>	<u>\$ 85</u>	<u>\$ 55,679</u>	<u>\$ 466,000</u>	<u>\$ 487,000</u>	<u>\$ 1,679,436</u>	<u>\$ 1,161,240</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Employee Insurance Fund	Flexible Spending Fund	Service Center Fund	City OPEB Insurance Fund	Schools OPEB Insurance Fund	<u>Total Internal Service Funds</u>	
						<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:							
Insurance premiums/reimbursements							
Collected	\$ 4,934,826	\$ -	\$ -	\$ -	\$ -	\$ 4,934,826	\$ 4,997,942
Collections from various City departments	-	203,311	343,620	-	-	546,931	464,741
Payments to employees and vendors	<u>(4,547,931)</u>	<u>(214,171)</u>	<u>(343,879)</u>	<u>-</u>	<u>-</u>	<u>(5,105,981)</u>	<u>(5,085,086)</u>
Net Cash Provided By (Used In)							
Operating Activities	<u>386,895</u>	<u>(10,860)</u>	<u>(259)</u>	<u>-</u>	<u>-</u>	<u>375,776</u>	<u>377,597</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Receipts from other funds	-	-	-	65,000	68,500	133,500	133,500
Payments to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used In)							
Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>68,500</u>	<u>133,500</u>	<u>133,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	386,895	(10,860)	(259)	65,000	68,500	509,276	511,097
CASH AND CASH EQUIVALENTS – July 1 st	<u>748,977</u>	<u>10,945</u>	<u>56,216</u>	<u>401,000</u>	<u>418,500</u>	<u>1,635,638</u>	<u>1,124,541</u>
CASH AND CASH EQUIVALENTS – June 30 th ..	<u>\$ 1,135,872</u>	<u>\$ 85</u>	<u>\$ 55,957</u>	<u>\$ 466,000</u>	<u>\$ 487,000</u>	<u>\$ 2,144,914</u>	<u>\$ 1,635,638</u>

(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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Employee Insurance <u>Fund</u>	Flexible Spending <u>Fund</u>	Service Center <u>Fund</u>	OPEB Insurance <u>Fund</u>	Schools OPEB Insurance <u>Fund</u>	<u>Total Internal Service Funds</u>	
						<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss).....	\$ 388,431	\$ (3,198)	\$ (537)	\$ -	\$ -	\$ 384,696	\$ 197,930
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Changes in assets and liabilities:							
Accounts receivable.....	-	4,900	-	-	-	4,900	84,154
Accounts payable.....	(1,536)	(12,562)	278	-	-	(13,820)	160,513
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES.....	<u>\$ 386,895</u>	<u>\$ (10,860)</u>	<u>\$ (259)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,776</u>	<u>\$ 377,597</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FUND FINANCIAL STATEMENTS
FIDUCIARY FUND
Pension Trust Fund
June 30, 2016

CITY OF ALCOA, TENNESSEE
EMPLOYEES' RETIREMENT SYSTEM – FIDUCIARY FUND
STATEMENT OF FIDUCIARY PLAN NET POSITION
June 30, 2016
With Comparative Totals for June 30, 2015

	Pension Trust Fund Employees' Retirement System	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Investments in Tennessee Retirement Group Trust (Note 8A)	\$ 23,584,039	\$ -
Cash and cash equivalents	-	1,014,343
U.S. Treasury Obligations.....	-	4,935,281
Domestic corporate and foreign bonds	-	5,416,343
Common equity securities.....	-	10,589,964
Municipal obligations	<u>-</u>	<u>1,454,306</u>
Total Investments.....	23,584,039	23,410,237
Accrued interest	<u>-</u>	<u>126,639</u>
Total Assets.....	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</u>
LIABILITIES:		
Liabilities	\$ -	\$ -
NET POSITION:		
Held in trust for pension benefits.....	<u>23,584,039</u>	<u>23,536,876</u>
Total Net Position.....	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Pension Trust Fund Employees' Retirement System	
	<u>2016</u>	<u>2015</u>
Additions:		
Employer contributions	\$ 2,406,072	\$ 2,173,944
Interest/dividend income	540,286	654,065
Net appreciation in fair value of investments	327,818	-
Miscellaneous income	77,270	-
Realized gain on sale of investments	<u>-</u>	<u>139,004</u>
Total Additions.....	<u>3,351,446</u>	<u>2,967,013</u>
Deductions:		
Benefits paid.....	3,077,676	2,587,026
Administrative expenses	78,196	73,003
Net depreciation in fair value of investments	<u>148,411</u>	<u>99,514</u>
Total Deductions	<u>3,304,283</u>	<u>2,759,543</u>
Change in Net Position	47,163	207,470
Net Position – Beginning of Year.....	<u>23,536,876</u>	<u>23,329,406</u>
Net Position – End of Year.....	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2016</u>	<u>2015</u>
Cash on hand and equity in pooled cash.....	\$ 4,293,741	\$ 3,470,623
Property taxes receivable (net of allowance for estimated uncollectibles).....	10,766,894	10,449,998
Sales taxes receivable – State of Tennessee	1,775,374	1,380,082
Accounts receivable.....	535,153	902,920
Investments.....	1,002,746	
Notes receivable	-	1,982
Total Assets:	<u>\$ 18,363,908</u>	<u>\$ 16,205,605</u>
Deferred Outflows of Resources	-	-
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u> <u>AND FUND BALANCE</u>		
Liabilities:		
Accounts payable.....	\$ 758,596	\$ 415,047
Deferred revenue	710,581	643,016
Accrued payroll	411,681	317,850-
Total Liabilities	1,880,858	1,375,913
Deferred Inflows of Resources:		
Deferred Revenue.....	10,014,628	9,681,393
Fund Balance:		
Restricted.....	165,441	63,674
Assigned.....	947,010	941,852
Unassigned	5,355,971	4,142,773
Total Fund Balance.....	6,468,422	5,148,299
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 18,363,908</u>	<u>\$ 16,205,605</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts	Final Budget	Total
			(Budgetary	Positive	2015
			Basis)	(Negative)	
TAXES:					
Current property taxes.....	\$ 5,502,000	\$ 5,502,000	\$ 5,588,386	\$ 86,386	\$ 4,868,701
Delinquent property taxes	262,876	262,876	325,602	62,726	998,975
Business tax	762,673	762,673	853,959	91,286	813,890
Local sales tax.....	9,267,000	9,437,000	10,101,060	664,060	11,195,375
Property tax – Partnership South	24,467	24,467	59,218	34,751	24,641
Gas franchise tax.....	169,800	169,800	116,873	(52,927)	172,475
Tax equivalent/in lieu	162,500	162,500	163,997	1,497	274,029
Hotel/Motel tax	<u>136,000</u>	<u>136,000</u>	<u>143,988</u>	<u>7,988</u>	<u>139,315</u>
Total Taxes	<u>16,287,316</u>	<u>16,457,316</u>	<u>17,353,083</u>	<u>895,767</u>	<u>18,487,401</u>
LICENSES AND PERMITS:					
Animal registration	600	600	445	(155)	402
Building permits	146,000	146,000	132,375	(13,625)	127,526
Mechanical and gas permits.....	5,500	5,500	4,299	(1,201)	6,125
Plumbing permits	12,500	12,500	3,641	(8,859)	4,000
Sanitary sewer inspection	<u>1,300</u>	<u>1,300</u>	<u>995</u>	<u>(305)</u>	<u>1,040</u>
Total Licenses and Permits	<u>165,900</u>	<u>165,900</u>	<u>141,755</u>	<u>(24,145)</u>	<u>139,093</u>
INTERGOVERNMENTAL REVENUE:					
State of Tennessee:					
Beer/liquor privilege tax	24,400	24,400	18,846	(5,554)	21,400
Sales tax	608,500	608,500	679,808	71,308	636,157
State Income tax.....	90,000	90,000	118,000	28,000	86,633
Streets and transportation.....	18,000	18,000	17,189	(811)	17,240
Mixed drink tax.....	113,000	113,000	70,647	(42,353)	65,319
Alcoholic liquor tax	226,000	226,000	260,947	34,947	243,991
TVA – in lieu	99,800	99,800	99,149	(651)	97,925
Excise tax	4,500	4,500	17,244	12,744	8,462
Fire – salary supplement	16,800	16,800	16,800	-	16,200
Police – salary supplement.....	22,000	22,000	24,000	2,000	22,000
Local:					
Local beer tax.....	584,000	584,000	615,028	31,028	578,768
Credit Union cost recovery	-	-	-	-	86,011
Stormwater cost recovery	133,300	133,300	107,400	(25,900)	88,736
Grants:					
State/Federal grants.....	40,500	40,500	31,441	(9,059)	15,301
Drug Task Force	<u>700</u>	<u>700</u>	<u>2,205</u>	<u>1,505</u>	<u>5,105</u>
Total Intergovernmental Revenue.....	<u>1,981,500</u>	<u>1,981,500</u>	<u>2,078,704</u>	<u>97,204</u>	<u>1,989,248</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual	Variance with	Total
	Original	Final	Amounts	Final Budget	2015
			(Budgetary	Positive	
			Basis)	(Negative)	
FINES AND FORFEITS:					
Fines and costs	340,000	340,000	367,272	27,272	327,568
Penalties	130,712	130,712	156,610	25,898	131,525
Police Evidence Money/Drug					
Control	19,800	19,800	63,897	44,097	17,556
Litigation tax	35,000	35,000	37,799	2,799	7,402
Citation fees	15,000	15,000	13,796	(1,204)	4,548
Total Fines and Forfeits	<u>540,512</u>	<u>540,512</u>	<u>639,374</u>	<u>98,862</u>	<u>488,599</u>
INTEREST EARNED	<u>1,500</u>	<u>1,500</u>	<u>6,109</u>	<u>4,609</u>	<u>-</u>
MISCELLANEOUS REVENUE:					
Public works, labor, and material....	334,900	334,900	326,211	(8,689)	304,002
Miscellaneous	18,000	18,000	35,538	17,538	27,886
CATV franchise fee/video service..	83,750	83,750	94,817	11,067	90,233
Fees/development	20,000	20,000	18,986	(1,014)	11,549
Department Services	130,100	130,100	137,569	7,469	78,711
Insurance refunds	9,000	9,000	6,537	(2,463)	8,838
Property rental.....	144,500	144,500	153,336	8,836	143,388
Sale of property/equipment	30,307	30,307	23,588	(6,719)	92,875
Special events.....	-	-	-	-	19,700
Private grants	25,000	25,000	18,200	(6,800)	-
Disaster recovery	-	-	52,472	52,472	-
Contributions and donations -					
Business	-	-	1,250	1,250	-
Total Miscellaneous Revenue ...	<u>795,557</u>	<u>795,557</u>	<u>868,504</u>	<u>72,947</u>	<u>777,182</u>
TOTAL REVENUES	<u>\$ 19,772,285</u>	<u>\$ 19,942,285</u>	<u>\$ 21,087,529</u>	<u>\$ 1,145,244</u>	<u>\$ 21,881,523</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016					
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015	
	Original	Final				
GENERAL GOVERNMENT:						
<u>Board of Commissioners:</u>						
Wages and salaries.....	\$ 11,400	\$ 11,400	\$ 11,400	\$ -	\$ 11,400	
FICA.....	1,210	1,210	1,202	8	1,203	
Other personnel services.....	100	100	-	100	-	
Mailing	50	50	16	34	8	
Dues, memberships, and subscriptions	4,500	4,500	1,467	3,033	4,246	
Advertising and publicity	2,300	2,300	1,809	491	1,326	
Travel, conferences, and training.....	6,000	6,000	2,766	3,234	300	
Reproduction and printing	2,000	2,000	817	1,183	753	
Office supplies	500	500	267	233	719	
Insurance.....	22,000	22,000	31,597	(9,597)	25,959	
Computer Equipment.....	-	-	1,233	(1,233)	2,548	
Utilities	4,050	4,050	4,043	7	4,240	
Other contractual services.....	4,320	4,320	4,320	-	4,320	
Election services	1,000	1,000	-	1,000	1,450	
Maintenance contract.....	200	200	-	200	172	
Total Board of Commissioners	<u>59,630</u>	<u>59,630</u>	<u>60,937</u>	<u>(1,307)</u>	<u>58,644</u>	
<u>City Manager's Office:</u>						
Wages and salaries.....	121,971	121,971	127,413	(5,442)	123,263	
F. I. C. A.	9,869	9,869	8,262	1,607	7,750	
Retirement	27,877	27,877	26,275	1,602	28,688	
Hospitalization insurance.....	20,160	20,160	20,160	-	20,159	
Life/AD&D.....	446	446	515	(69)	520	
Dental insurance	1,706	1,706	837	869	837	
Workmen's compensation	708	708	448	260	447	
Auto parts/Gas	5,000	5,000	1,263	3,737	1,568	
Other personnel services.....	7,042	7,042	9,340	(2,298)	8,790	
Mailing	150	150	98	52	161	
Dues, memberships, and subscriptions	5,750	5,750	7,834	(2,084)	3,432	
Computer equipment	-	-	828	(828)	2,875	
Travel, conferences, and training.....	7,000	7,000	2,317	4,683	5,353	
Public relations	3,000	3,000	3,898	(898)	2,774	
Repairs and maintenance	200	200	85	115	-	
Employee education and training	500	500	476	24	275	
Reproduction and printing	2,000	2,000	817	1,183	753	
Utilities	4,600	4,600	3,543	1,057	4,102	
Insurance.....	1,400	1,400	2,114	(714)	1,182	
Office supplies/other supplies.....	1,200	1,200	1,033	167	1,096	
Lease.....	3,300	3,300	2,865	435	2,870	
Maintenance contract.....	285	285	-	285	143	
Professional and consulting	-	-	-	-	398	
Fees and licensing.....	-	-	-	-	400	
Advertising	-	-	546	(546)	1,304	
Total City Manager's Office.....	<u>224,164</u>	<u>224,164</u>	<u>220,967</u>	<u>3,197</u>	<u>219,140</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
GENERAL GOVERNMENT (Continued):					
<u>Human Resources:</u>					
Wages and salaries	125,507	125,507	121,612	3,895	201,005
F. I. C. A.....	10,093	10,093	9,657	436	15,520
Retirement	53,207	53,207	54,802	(1,595)	52,913
Hospitalization insurance	27,072	27,072	27,072	-	27,072
Life/AD&D	533	533	606	(73)	620
Dental insurance.....	2,290	2,290	1,440	850	1,681
Workmen’s compensation.....	341	341	218	123	234
Maintenance contracts.....	700	700	208	492	529
Professional services	1,500	1,500	1,105	395	-
Other personnel services	6,427	6,427	7,905	(1,478)	3,717
Mailing	1,100	1,100	456	644	597
Dues, memberships, and subscriptions.....	1,000	1,000	642	358	610
Travel, conferences, and training	2,000	2,000	36	1,964	-
Reproduction and printing.....	3,500	3,500	3,184	316	2,878
Utilities	2,800	2,800	2,831	(31)	2,417
Office supplies.....	5,500	5,500	3,563	1,937	3,449
Repairs and maintenance – office equip...	500	500	370	130	713
Business/Public relations.....	250	250	117	133	35
Employee education and training	2,800	2,800	1,499	1,301	2,111
Insurance	1,500	1,500	932	568	1,289
Other operating supplies.....	-	-	-	-	158
Computer equipment	1,500	1,500	2,634	(1,134)	1,272
Other contractual services	2,000	2,000	1,728	272	1,728
Improvement teams/service awards	4,250	4,250	5,505	(1,255)	4,081
Safety supplies.....	500	500	395	105	1,147
Total Personnel Office.....	256,870	256,870	248,517	8,353	325,776
<u>Judicial/Legal:</u>					
Retirement.....	1,450	1,450	1,462	(12)	1,461
FICA.....	700	700	536	164	572
Medical Insurance	14,400	14,400	14,400	-	14,400
Dental Insurance.....	1,218	1,218	1,158	60	1,158
City Attorney.....	60,000	60,000	72,646	(12,646)	64,720
Other Legal Services	10,000	10,000	10,000	-	10,000
Wages – City Judge.....	9,000	9,000	9,000	-	9,000
Total Judicial/Legal.....	96,768	96,768	109,202	(12,434)	101,311
<u>Finance:</u>					
Wages and salaries	161,052	161,052	157,286	3,766	154,944
F. I. C. A.....	11,059	11,059	11,900	(841)	11,809
Retirement	48,017	48,017	45,479	2,538	53,343

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
GENERAL GOVERNMENT (Continued):					
<u>Finance (Continued):</u>					
Retiree Insurance.....	111	111	-	111	1,296
Hospitalization insurance	37,296	37,296	30,276	7,020	32,340
Life/AD&D	705	705	748	(43)	804
Dental insurance.....	3,155	3,155	2,237	918	2,470
Workmen’s compensation.....	551	551	272	279	283
Bonds	600	600	578	22	578
Other personnel services	3,866	3,866	3,863	3	3,621
Employee education and training.....	300	300	600	(300)	905
Professional services	500	500	1,254	(754)	4,556
Mailing.....	6,000	6,000	4,733	1,267	4,851
Dues, memberships, and subscriptions.....	2,930	2,930	2,182	748	739
Accounting and auditing	15,000	15,000	14,500	500	15,000
Advertising.....	500	500	710	(210)	769
Travel	9,000	9,000	8,957	43	10,349
Public relations.....	500	500	355	145	202
Repairs and maintenance.....	500	500	41	459	293
Reproduction and printing.....	2,400	2,400	1,649	751	1,545
Utilities.....	2,000	2,000	2,166	(166)	1,762
Other contractual services	1,200	1,200	990	210	1,080
Office supplies	5,900	5,900	6,735	(835)	5,025
Insurance.....	1,450	1,450	1,252	198	1,289
Property tax assessment fees	26,000	26,000	29,521	(3,521)	16,492
Computer equipment.....	-	-	2,339	(2,339)	1,075
Debt service fees	-	-	-	-	1,603
Maintenance contracts.....	3,925	3,925	2,603	1,322	3,487
Auto/Gas	-	-	306	(306)	425
Uniforms	500	500	167	333	-
Total Finance.....	345,017	345,017	333,699	11,318	332,935
<u>Information Systems:</u>					
Wages and salaries	76,270	76,270	77,953	(1,683)	71,059
F. I. C. A.	5,885	5,885	5,911	(26)	5,384
Retirement.....	19,282	19,282	19,567	(285)	22,598
Hospitalization insurance	20,016	20,016	20,016	-	17,088
Life/AD&D	354	354	395	(41)	350
Dental insurance.....	1,693	1,693	1,610	83	1,374
Workmen’s compensation	257	257	127	130	135
Mailing.....	100	100	132	(32)	57
Other operating supplies	250	250	344	(94)	74
Other personnel services	1,262	1,262	1,298	(36)	1,216
Travel, conference and training.....	3,000	3,000	2,166	834	627
Rental and maintenance contracts	23,350	23,350	23,120	230	24,367
Utilities.....	12,500	12,500	15,187	(2,687)	14,144

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
GENERAL GOVERNMENT (Continued):					
Information Systems (Continued):					
Employee education training.....	7,000	7,000	6,940	60	7,240
Dues, memberships, and subscriptions....	1,260	1,260	380	880	-
Advertising/Public Relations	-	200	-	200	433
Professional services	-	-	135	(135)	107
Printing.....	200	-	-	-	-
Office supplies	6,000	6,000	5,199	801	7,524
Insurance	2,300	2,300	1,960	340	2,219
Drug/alcohol testing	-	-	-	-	67
Computer equipment.....	-	-	2,001	(2,001)	1,661
Auto parts/gasoline/repairs.....	1,300	1,300	494	806	1,234
Total Information Systems	182,279	182,279	184,935	(2,656)	178,958
Purchasing and Warehouse:					
Wages and salaries	33,874	33,874	33,995	(121)	38,937
F. I. C. A.	2,638	2,638	2,567	71	3,301
Retirement.....	6,617	6,617	6,582	35	7,923
Hospitalization insurance	9,648	9,648	9,648	-	9,648
Life/AD&D	164	164	182	(18)	195
Dental insurance.....	816	816	462	354	462
Workmen's compensation.....	115	115	58	57	71
Other personnel services	617	617	617	-	447
Employee education/training/testing.....	850	850	1,602	(752)	704
Mailing.....	150	150	73	77	120
Dues, memberships, and subscriptions....	770	770	1,128	(358)	433
Advertising/Public Relations	300	300	246	54	54
Travel and training	500	500	153	347	466
Repair and maintenance office.....	600	600	170	430	1,004
Reproduction and printing.....	150	150	-	150	-
Utilities.....	2,200	2,200	3,162	(962)	2,398
Office supplies	800	800	540	260	1,657
Other operating supplies/parts.....	350	350	389	(39)	401
Insurance and bonds.....	1,100	1,100	853	247	974
Uniforms and clothing.....	400	400	148	252	40
Professional services	50	50	-	50	-
Other contracted services	100	100	-	100	263
Auto parts/gas	700	700	1,455	(755)	1,492
Rental/Maintenance contracts	5,100	5,100	-	5,100	7,354
Fuel island costs	500	500	2,367	(1,867)	-
Improvement teams.....	100	100	-	100	46
Total Purchasing and Warehouse	69,209	69,209	66,397	2,812	78,390

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Function/Activity/Object	June 30, 2016		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Budgeted Amounts				
	Original	Final			
GENERAL GOVERNMENT (Continued):					
Planning and Development (Continued):					
Wages and salaries	177,410	177,410	178,527	(1,117)	171,706
F. I. C. A.	13,778	13,778	13,437	341	12,911
Retirement.....	34,572	34,572	34,860	(288)	33,595
Hospitalization insurance	36,000	36,000	36,000	-	36,000
Life/AD&D	734	734	844	(110)	851
Dental insurance.....	3,046	3,046	2,896	150	2,896
Workmen’s compensation.....	500	500	296	204	316
Insurance	1,400	1,400	1,332	68	1,291
Other personnel services	2,700	2,700	2,700	-	1,625
Employee education	800	800	948	(148)	628
Dues and memberships	1,500	1,500	1,250	250	1,242
Mailing	100	100	91	9	-
Drug/alcohol testing	100	100	22	78	22
Professional and consulting services	1,250	1,250	1,024	226	132
Travel	2,100	2,100	1,073	1,027	2,011
Printing.....	1,000	1,000	522	478	699
Planning commission meetings.....	1,150	1,150	1,695	(545)	1,086
Utilities.....	820	820	1,251	(431)	855
Other contractual services	2,100	2,100	2,400	(300)	2,400
Advertising/Public relations	1,300	1,300	1,565	(265)	984
Office supplies	500	500	661	(161)	293
Repairs and maintenance office	150	150	65	85	62
Maintenance contracts.....	500	500	-	500	86
Gasoline/auto parts.....	600	600	-	600	-
Other operating supplies	100	100	-	100	-
Computer equipment.....	-	-	-	-	1,406
Total Planning and Development.....	284,210	284,210	283,459	751	273,097
Economic and Industrial Development:					
Wages and salaries	57,733	57,733	58,272	(539)	55,952
F. I. C. A.	4,918	4,918	4,688	230	4,311
Retirement.....	12,172	12,172	12,586	(414)	12,195
Hospitalization insurance	7,200	7,200	7,200	-	7,200
Life/AD&D	200	200	237	(37)	236
Dental insurance.....	609	609	579	30	579
Workmen’s compensation.....	624	624	340	284	334
Other personnel services	6,551	6,551	6,550	1	6,321
Employee education and training.....	200	200	151	49	50
Professional services	50,000	50,000	34,987	15,013	54,484
Mailing	200	200	174	26	143
Dues and memberships	4,130	4,130	4,818	(688)	4,729
Advertising.....	3,000	3,000	2,300	700	2,975
Travel	15,000	15,000	13,535	1,465	10,533
Public relations.....	1,250	1,250	873	377	825
Printing.....	1,250	1,250	817	433	753

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance with	
Function/Activity/Object	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	Total 2015
GENERAL GOVERNMENT (Continued):					
<u>Economic and Industrial Development (Cont.)</u>					
Utilities.....	3,000	3,000	2,332	668	2,950
Other contractual services	2,900	2,900	2,550	350	2,550
Office supplies	700	700	696	4	625
Maintenance contract	145	145	-	145	143
Insurance	700	700	628	72	691
Computer equipment.....	<u>500</u>	<u>500</u>	<u>3,008</u>	<u>(2,508)</u>	<u>3,831</u>
Total Economic and Industrial Development	<u>172,982</u>	<u>172,982</u>	<u>157,321</u>	<u>15,661</u>	<u>172,410</u>
TOTAL GENERAL GOVERNMENT.....	<u>1,691,129</u>	<u>1,691,129</u>	<u>1,665,434</u>	<u>25,695</u>	<u>1,740,661</u>
PUBLIC WORKS:					
<u>Supervision:</u>					
Wages and salaries – regular	200,027	200,027	184,546	15,481	187,897
F. I. C. A.	15,479	15,479	14,003	1,476	14,003
Retirement.....	37,304	37,304	35,969	1,335	44,885
Hospitalization insurance	37,152	37,152	35,352	1,800	37,872
Life/AD&D	772	772	842	(70)	915
Dental insurance.....	3,143	3,143	2,843	300	3,046
Workmen’s compensation.....	752	752	498	254	525
Service center cost	84,000	84,000	99,372	(15,372)	90,037
Drug/Alcohol testing.....	100	100	22	78	133
Employee education and training.....	1,433	1,433	220	1,213	533
Public Education	467	467	-	467	410
Other contractual services	1,920	1,920	1,720	200	1,920
Other personnel services	5,653	5,653	5,653	-	4,001
Mailing	600	600	777	(177)	600
Dues and memberships	9,191	9,191	9,321	(130)	16,093
Travel	7,408	7,408	4,957	2,451	3,528
Advertising.....	300	300	1,479	(1,179)	151
Uniforms	400	400	134	266	321
Reproduction and printing.....	300	300	731	(431)	580
Professional and consulting.....	3,400	3,400	3,642	(242)	-
Rental and maintenance contracts	300	300	63	237	243
Utilities.....	1,700	1,700	1,996	(296)	1,913
Office supplies	1,500	1,500	2,494	(994)	1,742
Auto parts.....	750	750	1,184	(434)	352
Gas	1,000	1,000	428	572	667
Insurance and bonds	925	925	1,898	(973)	903
Other supplies	650	650	267	383	90
Safety supplies and materials	250	250	13	237	11
Communication and computer equipment	-	-	551	(551)	805

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Function/Activity/Object	June 30, 2016		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Budgeted Amounts				
	Original	Final			

PUBLIC WORKS (Continued)

Supervision (Continued)

Public relations	100	100	182	(82)	124
Improvement teams	1,200	1,200	1,088	112	1,020
Machinery and equipment	-	-	122	(122)	-
Repair and maintenance.....	700	700	546	154	-
Radio system – annual fee	4,200	4,200	2,827	1,373	599
Small tools	300	300	88	212	131
GIS Systems	25,430	25,430	20,759	4,671	23,343
Regulatory fees and licenses	2,115	2,115	1,001	1,114	2,560
Total Supervision.....	450,921	450,921	437,588	13,333	441,953

Engineering and Codes Enforcement:

Wages and salaries.....	136,260	136,260	136,732	(472)	131,556
F. I. C. A.	11,107	11,107	10,562	545	10,159
Retirement	27,668	67,668	66,504	1,164	75,426
Hospitalization insurance.....	36,000	36,000	35,964	36	36,000
Life/AD&D.....	635	635	713	(78)	733
Dental insurance	3,046	3,046	2,893	153	2,896
Workmen’s compensation	4,432	4,432	4,243	189	3,958
Drug/Alcohol testing	200	200	22	178	45
Other personnel services.....	10,189	10,189	8,860	1,329	5,740
Mailing.....	300	300	409	(109)	238
Dues and memberships	800	800	529	271	472
House demolition.....	3,000	3,000	5,264	(2,264)	809
Insurance.....	1,600	1,600	1,514	86	1,569
Advertising/Public relations	250	250	-	250	79
Travel.....	810	810	330	480	123
Printing	750	750	332	418	585
Maintenance contracts	215	215	-	215	-
Other contractual services.....	2,050	2,050	(853)	2,903	1,197
Repairs and maintenance – Office equipment .	150	150	-	150	148
Uniforms.....	600	600	529	71	759
Utilities	2,400	2,400	2,695	(295)	2,712
Office supplies	600	600	332	268	867
Small tools	100	100	25	75	48
Auto parts	1,000	1,000	2,064	(1,064)	997
Gas	2,800	2,800	2,299	501	2,652
Electric and plumbing.....	2,800	2,800	-	2,800	-
Computer equipment	-	-	-	-	2,661
Employee education/training	1,500	1,500	100	1,400	872
Total Engineering and Codes.....	251,262	291,262	282,062	9,200	283,301

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Function/Activity/Object	June 30, 2016		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Budgeted Amounts				
	Original	Final			
PUBLIC WORKS (Continued):					
<u>Building and Grounds:</u>					
Wages and salaries	30,214	30,214	30,468	(254)	29,041
Wages – overtime and standby.....	4,600	4,600	4,622	(22)	4,426
F. I. C. A.....	2,713	2,713	2,642	71	2,515
Retirement	6,804	6,804	6,666	138	14,674
Hospitalization insurance	8,640	8,640	8,640	-	8,640
Life/AD&D	146	146	163	(17)	167
Dental insurance.....	731	731	538	193	538
Workmen’s compensation	1,534	1,534	1,383	151	1,317
Other personnel services	650	650	650	-	430
Utilities	1,000	1,000	1,105	(105)	974
Insurance	15,000	15,000	17,012	(2,012)	14,141
Building improvements	-	-	9,944	(9,944)	-
Repairs and maintenance.....	1,000	1,000	40	960	-
Springbrook Corporation Center	9,000	9,000	9,157	(157)	13,533
Maintenance – Associates Boulevard.....	8,300	8,300	6,570	1,730	5,783
Cedar Lawn Cemetery	500	500	-	500	-
Total Building and Grounds	90,832	90,832	99,600	(8,768)	96,179
<u>Municipal Building:</u>					
Wages.....	17,475	17,475	17,795	(320)	16,687
F.I.C.A.....	1,349	1,349	1,299	50	1,228
Retirement	3,382	3,382	3,563	(181)	3,219
Hospital insurance	8,640	8,640	8,676	(36)	8,640
Life insurance/AD&D	115	115	123	(8)	132
Dental insurance.....	731	731	226	505	224
Workers Comp	953	953	685	268	964
Other Personnel Services.....	360	360	360	-	200
Auto parts/gas.....	825	825	2	823	-
Utilities	99,500	99,500	83,672	15,828	90,202
Insurance	6,000	6,000	5,248	752	5,606
Operating supplies	6,000	6,000	7,493	(1,493)	8,019
Repairs and maintenance.....	16,000	16,000	15,612	388	24,126
Rental/Maintenance contract.....	9,400	9,400	7,975	1,425	8,001
Building improvements	-	-	12,060	(12,060)	-
Equipment and building improvements.....	-	-	-	-	67
Total Municipal Building	170,730	170,730	164,789	5,941	167,315

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
Function/Activity/Object	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
PUBLIC WORKS (Continued):					
Fleet Services:					
Wages and salaries	94,785	94,785	104,528	(9,743)	71,967
Wages – overtime and standby	3,930	3,930	4,934	(1,004)	2,383
F.I.C.A.	7,612	7,612	8,029	(417)	5,517
Retirement	19,055	19,055	17,343	1,712	17,031
Retiree insurance	1,794	1,794	1,903	(109)	1,757
Hospitalization insurance	32,832	32,832	30,864	1,968	26,352
Life/AD&D	497	497	519	(22)	463
Dental insurance	2,778	2,778	2,164	614	1,641
Workmen’s compensation	4,336	4,336	3,442	894	3,128
Other personnel services	793	793	793	-	397
Drug/Alcohol test	45	45	13	32	45
Professional services	100	100	178	(78)	-
Machinery and equipment	-	-	1,450	(1,450)	62
Utilities	700	700	671	29	549
Office supplies	150	150	78	72	132
Other operating supplies	12,000	12,000	12,969	(969)	13,287
Small tools	3,250	3,250	3,970	(720)	3,236
Uniforms	1,600	1,600	2,251	(651)	1,506
Auto/electrical parts/materials	1,000	1,000	648	352	1,345
Other contractual services	150	150	120	30	-
Gas, fuel, and lubricants	2,000	2,000	1,694	306	1,665
Insurance and bonds	3,000	3,000	2,809	191	2,435
Repairs and maintenance	500	500	626	(126)	795
Travel	1,000	1,000	1,198	(198)	-
Fuel pump equipment	-	-	-	-	21
Computer equipment	-	-	705	(705)	2,100
Dues, memberships and subscriptions	3,015	3,015	2,220	795	1,200
Improvement teams	120	120	100	20	125
Printing	50	50	-	50	-
Mailing	100	100	-	100	-
Employee education and training	2,000	2,000	-	2,000	395
Regulatory fees and licenses	100	100	75	25	42
Safety supplies	250	250	456	(206)	313
Maintenance contract	1,100	1,100	790	310	891
Advertising	100	100	-	100	1,815
Total Fleet Services	200,742	200,742	207,540	(6,798)	162,595
Streets Supervision:					
Wages and salaries – regular	109,996	109,996	105,365	4,631	105,880
Wages and salaries – overtime and standby	7,500	7,500	6,268	1,232	9,165
F. I. C. A.	9,393	9,393	8,582	811	8,778
Retirement	56,850	56,850	51,042	5,808	65,700

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance with	
Function/Activity/Object	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	Total 2015
PUBLIC WORKS (Continued):					
<u>Streets Supervision (Continued):</u>					
Retiree insurance	6,000	6,000	6,450	(450)	-
Hospitalization insurance	28,800	28,800	27,157	1,643	28,800
Advertising	-	-	-	-	77
Life/AD&D	509	509	545	(36)	589
Dental insurance	2,436	2,436	2,184	252	2,316
Workmen’s compensation	5,940	5,940	7,821	(1,881)	6,399
Travel	700	700	25	675	494
Other personnel services	5,308	5,308	5,616	(308)	3,015
Employee training	400	400	2	398	314
Utilities	800	800	775	25	792
Office supplies.....	100	100	53	47	32
Dues.....	200	200	-	200	-
Maintenance contracts	100	100	-	100	233
Improvement teams	200	200	100	100	300
Professional and consulting	500	500	65	435	29
Other operating supplies.....	100	100	-	100	-
Automotive parts	750	750	2,219	(1,469)	316
Gasoline, fuel and lubricants	1,200	1,200	727	473	917
Insurance	1,200	1,200	2,277	(1,077)	881
Uniforms	1,350	1,350	765	585	579
Regulatory fees and license	250	250	17	233	-
Radio system annual contract.....	300	300	147	153	147
Drug/alcohol testing	250	250	223	27	211
Total Streets Supervision.....	241,132	241,132	228,425	12,707	235,817
<u>Streets – Repair and Construction:</u>					
Wages and salaries – regular	156,855	156,855	171,611	(14,756)	161,482
Wages and salaries – overtime and standby	12,620	12,620	16,647	(4,027)	18,724
F.I.C.A.....	13,385	13,385	14,207	(822)	13,639
Retirement	85,975	85,975	91,442	(5,467)	78,012
Hospitalization insurance	59,040	59,040	61,712	(2,672)	63,375
Life/AD&D	878	878	988	(110)	1,083
Dental insurance	4,995	4,995	3,485	1,510	3,933
Workmen’s compensation	13,269	13,269	11,135	2,134	10,820
Other personnel services	5,496	5,496	5,046	450	5,013
Employee education/training	400	400	409	(9)	-
Professional services	950	950	-	950	12,953
Other operating supplies.....	600	600	728	(128)	550
Small tools.....	400	400	801	(401)	327
Uniforms	1,875	1,875	1,829	46	1,188
Auto parts	9,500	9,500	23,278	(13,778)	14,956
Repairs and maintenance.....	24,700	24,700	14,158	10,542	18,225
Gasoline, fuel and lubricants	15,000	15,000	8,440	6,560	12,595

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance with	
Function/Activity/Object	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	Total 2015
PUBLIC WORKS (Continued):					
<u>Streets – Repair and Construction</u>					
<u>(Continued):</u>					
Insurance and bonds	2,000	2,000	2,619	(619)	2,874
Travel	1,400	1,400	25	1,375	935
Christmas light maintenance	2,000	2,000	893	1,107	338
Emergency response.....	500	500	-	500	-
Printing.....	250	250	34	216	-
Repairs – sidewalks.....	5,000	5,000	2,654	2,346	3,628
Traffic signal maintenance	-	-	-	-	51
Street resurfacing.....	140,000	140,000	139,546	454	125,072
Easements.....	1,000	1,000	1,127	(127)	1,361
Regulatory fees and license.....	250	250	9	241	46
Traffic calming.....	8,000	8,000	-	8,000	-
Utilities.....	60	60	556	(496)	47,481
Retires insurance	3,000	3,000	3,225	(225)	2,940
Drug/Alcohol test.....	100	100	22	78	22
Snow removal.....	10,000	10,000	10,935	(935)	23,201
Safety supplies.....	800	800	916	(116)	502
Signs and materials.....	35,000	35,000	10,545	24,455	9,230
Improvement teams	-	-	-	-	82
Computer equipment	1,000	1,000	26	974	898
Landfill services	400	400	-	400	180
Total Streets – Repair and Construction.....	<u>616,698</u>	<u>616,698</u>	<u>599,048</u>	<u>17,650</u>	<u>635,716</u>
<u>Street Lighting:</u>					
Utilities.....	<u>615,000</u>	<u>615,000</u>	<u>605,724</u>	<u>9,276</u>	<u>582,170</u>
<u>Right of Way Maintenance:</u>					
Wages and salaries – regular	275,288	275,288	261,269	14,019	241,867
Wages and salaries – overtime and temporary	23,000	23,000	3,390	19,610	2,358
F. I. C. A.....	22,602	22,602	19,595	3,007	17,969
Retirement	54,271	54,271	49,757	4,514	69,881
Hospitalization insurance	115,200	115,200	106,800	8,400	96,000
Life/AD&D	1,642	1,642	1,644	(2)	1,598
Drug/alcohol testing	600	600	154	446	315
Employee education	820	820	204	616	-
Dental insurance.....	9,746	9,746	7,087	2,659	6,349
Advertising.....	-	-	-	-	77
Workmen’s compensation.....	16,959	16,959	18,700	(1,741)	14,440
Other personnel services	5,150	5,150	4,654	496	2,250
Professional services	1,000	1,000	70	930	218

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance with	
Function/Activity/Object	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	Total 2015
PUBLIC WORKS (Continued):					
Right of Way Maintenance (Continued):					
Travel	800	800	1,799	(999)	820
Other contractual services	6,050	6,050	4,800	1,250	6,229
Operating supplies	2,000	2,000	2,215	(215)	2,306
Small tools.....	3,200	3,200	2,665	535	2,741
Uniforms	4,750	4,750	2,184	2,566	2,219
Auto parts	19,000	19,000	31,967	(12,967)	17,698
Chemical supplies	5,500	5,500	3,247	2,253	3,696
Gasoline.....	27,500	27,500	13,300	14,200	16,315
Construction materials.....	500	500	22	478	-
Other equipment	-	-	1,744	(1,744)	7,495
Insurance	2,000	2,000	2,315	(315)	1,817
Repairs and maintenance.....	600	600	1,247	(647)	114
Utilities	925	925	1,197	(272)	1,298
Greenway maintenance	-	-	599	(599)	293
Dues.....	50	50	-	50	-
Safety supplies.....	4,000	4,000	1,692	2,308	1,555
Total Right of Way Maintenance	603,153	603,153	544,317	58,836	517,918
Traffic Operations:					
Wages and Salaries.....	65,888	65,888	66,483	(595)	63,564
Standby and overtime	8,500	8,500	11,382	(2,882)	9,234
F.I.C.A.....	6,156	6,156	6,252	(96)	5,704
Retirement	15,301	15,301	15,594	(293)	14,296
Hospitalization insurance	17,280	17,280	17,280	-	17,280
Life/AD&D insurance	306	306	342	(36)	354
Dental insurance	1,462	1,462	1,311	151	1,311
Advertising	200	200	61	139	442
Printing	50	50	-	50	-
Traffic signal maintenance	25,000	25,000	9,914	15,086	3,213
Workmen’s compensation.....	3,238	3,238	3,157	81	2,832
Uniforms	500	500	235	265	195
Small tools.....	500	500	288	212	-
Other personnel services	6,087	6,087	6,947	(860)	1,595
Utilities	8,000	8,000	10,689	(2,689)	9,510
Safety supplies.....	200	200	127	73	18
Auto parts	1,000	1,000	975	25	525

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC WORKS (Continued):					
Traffic Operations (Continued):					
Gasoline.....	1,500	1,500	1,438	62	2,009
Insurance	325	325	382	(57)	306
Operating supplies.....	150	150	12	138	-
Dues.....	400	400	340	60	380
Employee Education and Training	2,560	2,560	648	1,912	1,689
Maintenance contract	50	50	250	(200)	29
Travel	200	200	-	200	-
Repairs and maintenance.....	-	-	344	(344)	6,878
Cost recovery.....	50,799	50,799	37,010	13,789	39,109
Total Traffic Operations	215,652	215,652	191,461	24,191	180,473
Sanitation Supervision:					
Wages and Salaries.....	72,227	72,227	72,884	(657)	69,767
Regulatory fees.....	150	150	-	150	55
F.I.C.A.....	5,940	5,940	5,714	226	5,409
Retirement.....	54,965	54,965	54,965	-	51,886
Hospitalization insurance	14,400	14,400	14,400	-	14,400
Life/Accidental death insurance	296	296	339	(43)	346
Dental insurance.....	1,218	1,218	1,158	60	1,158
Professional and consulting.....	300	300	585	(285)	483
Mailing	200	200	-	200	-
Drug/Alcohol test	300	300	223	77	132
Printing.....	4,000	4,000	3,689	311	3,910
Uniforms	370	370	106	264	25
Workmen's compensation.....	3,929	3,929	3,693	236	3,506
Improvement teams	250	250	515	(265)	972
Repair and maintenance	200	200	-	200	-
Office supplies.....	175	175	32	143	29
Small tools.....	100	100	64	36	27
Other personnel services	5,417	5,417	5,417	-	5,257
Utility processing	1,500	1,500	3,348	(1,848)	2,815
Utilities.....	600	600	564	36	577
Auto parts	300	300	1,068	(768)	232
Gasoline.....	1,400	1,400	772	628	863
Insurance	400	400	444	(44)	350
Operating supplies.....	100	100	-	100	-
Dues.....	200	200	25	175	15
Employee Education and Training	100	100	-	100	47
Travel	900	900	299	601	-
Maintenance contract	100	100	-	100	57
Advertising	-	-	-	-	213
Safety supplies.....	175	175	11	164	-
Total Sanitation Supervision	170,212	170,212	170,315	(103)	162,531

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

Function/Activity/Object	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
PUBLIC WORKS (Continued):					
<u>Sanitation Residential Collection:</u>					
Wages and salaries.....	115,973	115,973	134,575	(18,602)	124,767
Overtime	3,200	3,200	2,068	1,132	2,396
F.I.C.A.	9,199	9,199	10,279	(1,080)	9,467
Retirement	22,955	22,955	20,866	2,089	29,917
Hospitalization insurance.....	57,600	57,600	55,800	1,800	54,000
Life/Accidental death insurance	769	769	767	2	830
Dental insurance	4,873	4,873	3,671	1,202	4,017
Workmen’s compensation	6,040	6,040	5,917	123	5,290
Landfill services.....	100,000	100,000	112,394	(12,394)	106,573
Other personnel services.....	1,050	1,050	3,100	(2,050)	2,016
Other supplies	500	500	281	219	639
Small tools and minor equipment	100	100	-	100	37
Uniforms	1,700	1,700	2,981	(1,281)	1,871
Recycling contracts.....	175,000	175,000	172,618	2,382	163,601
Safety supplies	1,850	1,850	3,485	(1,635)	2,615
Utilities	24	24	24	-	24
Automotive parts	19,122	19,122	12,285	6,837	24,235
Gasoline, fuel, and lubricants	25,000	25,000	9,087	15,913	15,928
Insurance.....	2,950	2,950	2,352	598	1,000
Recycling center	500	500	-	500	-
Communications equipment	300	300	148	152	147
Professional services.....	500	500	-	500	61
Total Sanitation Collection	549,205	549,205	552,698	(3,493)	549,431
<u>Brush and Demolition Collection:</u>					
Wages and Salaries.....	79,102	79,102	77,778	1,324	76,242
Wages – overtime	8,700	8,700	1,475	7,225	1,005
F.I.C.A.	6,990	6,990	7,084	(94)	5,936
Retirement	42,728	42,728	49,000	(6,272)	39,366
Hospitalization insurance.....	28,800	28,800	28,800	-	28,800
Life/Accidental death insurance	435	435	460	(25)	500
Dental insurance	2,436	2,436	2,251	185	2,316
Workmen’s compensation	4,912	4,912	4,364	548	3,782
Other personnel services.....	3,560	3,560	4,969	(1,409)	3,522
Professional services.....	200	200	-	200	19
Landfill services.....	60,000	60,000	63,373	(3,373)	62,499
Recycling contracts.....	35,000	35,000	33,600	1,400	34,608
Small tools	200	200	207	(7)	240
Maintenance contracts	500	500	-	500	-
Retiree insurance	-	-	500	(500)	-
Travel.....	-	-	25	(25)	-
Safety supplies	450	450	280	170	499

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC WORKS (Continued):					
Brush and Demolition Collection:					
Uniforms.....	1,180	1,180	602	578	868
Automotive parts	13,000	13,000	17,215	(4,215)	10,341
Gasoline	21,000	21,000	8,959	12,041	14,447
Other operating supplies	400	400	694	(294)	1,359
Utilities	24	24	28	(4)	26
Insurance.....	750	750	1,339	(589)	675
Total Brush and Demolition Collection.....	310,367	310,367	303,003	7,364	286,551
Industrial Collection:					
Wages and salaries.....	114,996	114,996	82,299	32,697	129,525
Wages – overtime	7,200	7,200	5,243	1,957	7,450
F.I.C.A.	11,254	11,254	7,073	4,181	10,564
Retirement	68,916	68,916	30,204	38,712	57,132
Retiree insurance	2,680	2,680	980	1,700	-
Hospitalization insurance.....	43,200	43,200	34,800	8,400	51,600
Life/Accidental death insurance	644	644	541	103	889
Dental insurance	3,655	3,655	1,230	2,425	2,582
Workmen’s compensation	7,704	7,704	5,943	1,761	7,322
Uniforms.....	1,725	1,725	1,287	438	565
Other personnel services.....	24,920	24,920	4,422	20,498	4,151
Automotive parts	25,000	25,000	25,051	(51)	25,565
Utilities	45	45	48	(3)	48
Other operating supplies/small tools.....	1,050	1,050	439	611	688
Gasoline, fuel, and lubricants	42,000	42,000	16,263	25,737	24,357
Insurance.....	1,950	1,950	2,823	(873)	3,344
Landfill services.....	220,000	220,000	212,967	7,033	207,247
Professional services.....	750	750	-	750	39
Equipment lease payments.....	31,908	31,908	24,817	7,091	42,544
Communication equipment.....	900	900	441	459	1,899
Repair and maintenance.....	500	500	685	(185)	120
Equipment and machinery	-	-	6,688	(6,688)	15,065
Safety supplies	500	500	297	203	281
Total Industrial Collection	611,497	611,497	464,541	146,956	592,977
Special Projects:					
Road repair	-	-	59,529	(59,529)	-
TOTAL PUBLIC WORKS	5,097,403	5,137,403	4,910,640	226,763	4,894,927

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC SAFETY:					
<u>Police Administration:</u>					
Wages and salaries	154,661	154,661	157,080	(2,419)	150,051
F.I.C.A.	11,919	11,919	11,479	440	10,982
Retirement.....	29,943	29,943	30,316	(373)	34,890
Hospitalization insurance	28,800	28,800	28,800	-	28,800
Retiree Insurance.....	-	-	-	-	2,635
Life/AD&D	617	617	713	(96)	718
Dental insurance.....	2,436	2,436	2,316	120	2,316
Workmen’s compensation.....	4,463	4,463	3,319	1,144	3,726
Other personnel services	1,150	1,150	2,150	(1,000)	850
Dues and memberships	1,700	1,700	713	987	993
Medical physical	4,500	4,500	-	4,500	-
Travel, conferences and training	5,200	5,200	6,431	(1,231)	5,131
Reproduction and printing.....	2,250	2,250	3,394	(1,144)	4,296
Utilities.....	3,000	3,000	2,467	533	1,819
Office supplies	500	500	460	40	127
Uniforms	600	600	997	(397)	210
Auto parts.....	650	650	304	346	1,094
Gasoline, fuel and lubricants.....	1,200	1,200	1,732	(532)	1,356
Insurance and bonds.....	1,400	1,400	2,435	(1,035)	2,361
Professional and consultation services	22,000	22,000	2,848	19,152	4,546
Public relations.....	2,000	2,000	562	1,438	1,853
Small Tools	300	300	-	300	170
Rental, maintenance contracts.....	-	-	-	-	115
Advertising.....	700	700	-	700	-
Equipment replacement.....	-	-	-	-	121
Machinery and equipment.....	-	-	16,500	(16,500)	-
Mailing.....	-	-	39	(39)	-
Employee education.....	20,000	20,000	-	20,000	-
TIES Terminal services.....	<u>2,240</u>	<u>2,240</u>	<u>2,390</u>	<u>(150)</u>	<u>2,415</u>
Total Police Administration	<u>302,229</u>	<u>302,229</u>	<u>277,445</u>	<u>24,784</u>	<u>261,575</u>
<u>Administrative Services:</u>					
Wages and salaries – regular.....	469,402	469,402	485,069	(15,667)	454,125
Wages and salaries – overtime and temporary	10,000	10,000	24,928	(14,928)	19,851
F.I.C.A.	39,565	39,565	37,294	2,271	34,748
Retirement.....	95,064	95,064	98,085	(3,021)	84,141
Hospitalization insurance	135,360	135,360	136,560	(1,200)	135,360
Life/AD&D	2,284	2,284	2,562	(278)	2,602
Dental insurance.....	11,451	11,451	9,886	1,565	9,789
Workmen’s compensation.....	7,885	7,885	10,676	(2,791)	11,048
Other personnel services	19,779	19,779	19,921	(142)	14,932
Professional services	-	-	940	(940)	204
Credit card processing fees	3,900	3,900	5,701	(1,801)	2,574
Software license fee	37,503	37,503	29,35	8,147	32,489
Regulatory fees	-	-	89	(89)	-
Repair and maintenance	-	-	27	(27)	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC SAFETY (Continued)					
<u>Administrative Services (Continued):</u>					
Radio Systems annual fee.....	19,000	19,000	11,524	7,476	-
Ammunition.....	20,000	20,000	10,654	9,346	-
Employee education/training	-	-	8	(8)	-
Mailing	1,720	1,720	1,355	365	1,866
Dues and memberships.....	4,350	4,350	2,730	1,620	3,762
Travel, conferences and training.....	9,051	9,051	13,704	(4,653)	9,080
Repair and maintenance.....	31,500	31,500	41,583	(10,083)	43,373
Printing	3,950	3,950	3,256	694	3,256
Rental and maintenance contracts	10,500	10,500	17,791	(7,291)	12,921
Office supplies.....	15,000	15,000	18,558	(3,558)	17,639
Utilities	6,000	6,000	6,771	(771)	6,493
Small tools.....	2,000	2,000	758	1,242	1,431
Uniforms.....	2,000	2,000	4,671	(2,671)	1,324
Insurance	7,000	7,000	8,590	(1,590)	10,049
Community policing	2,500	2,500	5,195	(2,695)	3,495
Computer software	15,000	15,000	12,125	2,875	25,725
Auto parts	5,000	5,000	2,318	2,682	5,915
Gasoline.....	6,765	6,765	2,991	3,774	3,678
Communication equipment.....	-	-	100	(100)	707
Certificate of Accreditation expenses	16,300	16,300	14,492	1,808	16,591
Lease equipment	46,594	46,594	46,272	322	-
Other supplies.....	2,500	2,500	-	2,500	-
Office/computer machinery and equipment	-	-	5,145	(5,145)	1,836
Total Administrative Services	<u>1,058,923</u>	<u>1,058,923</u>	<u>1,091,685</u>	<u>(32,762)</u>	<u>971,004</u>
<u>Police Communications:</u>					
911 Communications Center	<u>179,726</u>	<u>179,726</u>	<u>157,142</u>	<u>22,584</u>	<u>151,064</u>
<u>Police Patrol and Traffic Division:</u>					
Wages and salaries – regular	1,366,756	1,366,756	1,285,362	81,394	1,216,919
Wages and salaries – overtime	142,000	142,000	195,891	(53,891)	171,222
F. I. C. A.....	115,369	115,369	115,362	7	104,513
Retiree insurance	14,940	14,940	15,390	(450)	14,640
Retirement	483,967	483,967	440,006	43,961	430,174
Hospitalization insurance	403,200	403,200	390,000	13,200	388,800
Life/AD&D	6,532	6,532	6,823	(291)	7,148
Dental insurance	34,111	34,111	29,343	4,768	30,423
Workmen’s compensation	46,365	46,365	46,980	(615)	59,232
Drug/Alcohol testing	2,000	2,000	1,438	562	2,034
Ammunition.....	-	-	931	(931)	15,375
Veterinarian	1,500	1,500	321	1,179	713
Advertising	-	-	-	-	343
Employee education and training	-	-	3,700	(3,700)	7,497
Other personnel services.....	78,343	78,343	79,617	(1,274)	66,639

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC SAFETY (Continued)					
Police Patrol and Traffic Division:					
Other services – ARRA.....	1,400	1,400	-	1,400	-
Dues and memberships.....	1,500	1,500	455	1,045	1,807
Travel, conferences and training	24,500	24,500	30,030	(5,530)	25,225
Office/other operating supplies	6,000	6,000	8,041	(2,041)	11,317
Small tools and minor equipment.....	500	500	578	(78)	1,089
Uniforms and clothing.....	37,140	37,140	46,628	(9,488)	33,409
Automotive parts	36,750	36,750	55,180	(18,430)	48,688
Gasoline, fuel, and lubricants	114,000	114,000	63,120	50,880	78,893
Firing range	-	-	670	(670)	3,388
Community policing.....	1,500	1,500	949	551	1,549
Mailing	500	500	273	227	883
Insurance	39,000	39,000	38,087	913	39,562
Professional services	3,600	3,600	4,612	(1,012)	2,518
Repairs and maintenance – machinery	3,000	3,000	3,327	(327)	93
Maintenance contracts.....	1,000	1,000	663	337	1,087
Other equipment.....	-	-	16,994	(16,994)	2,235
Printing and photography	1,500	1,500	3,395	(1,895)	2,057
Utilities	92,000	92,000	95,446	(3,446)	99,982
Contract services	15,420	15,420	15,420	-	15,420
K-9	-	-	168	(168)	1,317
Lease equipment.....	6,700	6,700	-	6,700	46,272
Computer equipment	-	-	9,538	(9,538)	988
Vehicle	-	-	38,344	(38,344)	-
Federal block grant.....	-	-	385	(385)	-
Radio systems annual contract	-	-	-	-	17,299
Total Police Patrol and Traffic Control	<u>3,081,093</u>	<u>3,081,093</u>	<u>3,043,467</u>	<u>37,626</u>	<u>2,950,750</u>
Police Investigation:					
Wages and salaries – regular	399,733	399,733	388,920	10,813	407,843
Undercover operations	1,000	1,000	-	1,000	296
Wages and salaries – overtime/standby.....	60,000	60,000	68,605	(8,605)	65,630
F. I. C. A.....	36,349	36,349	37,794	(1,445)	35,231
Retirement	182,495	182,495	157,517	24,978	168,022
Hospitalization insurance	100,800	100,800	108,000	(7,200)	106,800
Life/AD&D	1,821	1,821	2,083	(262)	2,194
Dental insurance	8,528	8,528	8,687	(159)	8,590
Workmen’s compensation	16,299	16,299	12,459	3,840	16,828
Dues/subscriptions/memberships	1,700	1,700	355	1,345	90
Other personnel services	12,415	12,415	15,701	(3,286)	11,417
Mailing	400	400	200	200	401
Other operating supplies.....	1,000	1,000	1,093	(93)	505
Travel, conferences, and training	7,000	7,000	8,007	(1,007)	5,882
Office supplies.....	3,000	3,000	3,117	(117)	2,553
Professional services	1,950	1,950	-	1,950	-
Retiree insurance	-	-	3,000	(3,000)	-
Machinery and equipment	-	-	3,224	(3,224)	-
Uniforms	3,800	3,800	4,900	(1,100)	3,378
Auto parts	4,000	4,000	9,625	(5,625)	3,423
Gasoline, fuel and lubricants	14,094	14,094	7,473	6,621	10,497

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC SAFETY (Continued)					
Police Investigation (Continued):					
Insurance.....	9,400	9,400	7,871	1,529	11,315
Utilities	6,700	6,700	5,826	874	6,178
Computer equipment.....	-	-	-	-	130
Small tools	1,450	1,450	2,429	(979)	1,531
Printing	1,400	1,400	1,565	(165)	1,092
Rental/maintenance contracts	-	-	-	-	143
Repair and maintenance.....	750	750	80	670	918
Total Police Investigation	876,084	876,084	858,531	17,553	870,887
Police – Animal Control:					
Wages and salaries – regular.....	96,555	96,555	97,430	(875)	93,087
Wages and salaries – overtime.....	1,000	1,000	3,748	(2,748)	2,672
F. I. C. A.	8,828	8,828	7,471	1,357	7,050
Retirement.....	21,594	21,594	19,438	2,156	19,089
Hospitalization insurance.....	28,800	28,800	28,800	-	28,800
Life/AD&D.....	477	477	528	(51)	550
Dental insurance	2,436	2,436	1,532	904	1,532
Workmen’s compensation	4,595	4,595	3,306	1,289	3,115
Dues and memberships	425	425	-	425	110
Retiree insurance.....	2,940	2,940	-	2,940	-
Other personnel services	17,837	17,837	2,000	15,837	1,100
Utilities	1,100	1,100	1,118	(18)	1,061
Office supplies	500	500	319	181	164
Small tools and equipment.....	1,500	1,500	-	1,500	2,336
Veterinarian expenses	500	500	-	500	89
Uniforms	800	800	447	353	423
Rental/Maintenance contracts	-	-	-	-	86
Auto parts.....	1,500	1,500	792	708	1,607
Professional services.....	145	145	-	145	19
Animal shelter fees	2,000	2,000	3,065	(1,065)	1,630
Gasoline, fuel and lubricants.....	4,500	4,500	3,392	1,108	2,953
Other commodities.....	250	250	124	126	94
Insurance.....	1,550	1,550	1,497	51	1,999
Travel and training.....	750	750	-	750	-
Printing	400	400	-	400	-
Total Police – Animal Control.....	200,982	200,982	175,009	25,973	169,566
Police Grants:					
Overtime	32,512	32,512	-	32,512	-
FICA	2,488	2,488	-	2,488	-
National night out	-	-	1,577	(1,577)	-
Total Police Grants	35,000	35,000	1,577	33,423	-
TOTAL PUBLIC SAFETY – POLICE.....	5,734,037	5,734,037	5,604,856	129,181	5,374,846

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
Function/Activity/Object	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
PUBLIC SAFETY – FIRE:					
Fire Supervision:					
Wages and salaries.....	294,264	294,264	289,293	4,971	323,242
Overtime	3,510	3,510	3,398	112	1,617
F. I. C. A.	24,726	24,726	26,128	(1,402)	26,455
Retirement	152,633	152,633	183,293	(30,660)	165,932
Hospitalization insurance.....	57,600	57,600	57,600	-	55,200
Life AD&D.....	1,199	1,199	1,325	(126)	1,374
Dental insurance	4,873	4,873	4,633	240	3,982
Workmen’s compensation	7,170	7,170	6,818	352	7,442
Retiree insurance	1,470	1,470	10,380	(8,910)	1,470
Other personnel services	24,452	24,452	23,611	841	31,219
Mailing.....	500	500	109	391	184
Dues and memberships	1,950	1,950	675	1,275	738
Travel, conferences and training.....	8,000	8,000	2,831	5,169	5,841
Reproduction and printing	4,000	4,000	2,856	1,144	3,780
Office supplies	1,700	1,700	1,659	41	1,925
Uniforms.....	2,500	2,500	1,527	973	2,049
Auto parts	1,800	1,800	3,740	(1,940)	755
Gasoline, fuel and lubricants.....	7,500	7,500	4,819	2,681	5,666
Employee education.....	1,000	1,000	2	998	45
Insurance.....	3,000	3,000	4,649	(1,649)	2,898
Professional and consultation	5,500	5,500	10,513	(5,013)	4,472
Small tools	1,000	1,000	13	987	286
Public relations	3,000	3,000	4,278	(1,278)	3,143
Rental and maintenance contracts.....	4,000	4,000	2,626	1,374	143
Utilities	10,450	10,450	11,158	(708)	10,237
Repairs and maintenance	400	400	222	178	171
Computer equipment	-	-	396	(396)	-
Total Fire Supervision	<u>628,197</u>	<u>628,197</u>	<u>658,552</u>	<u>(30,355)</u>	<u>660,266</u>
Fire Prevention/Inspection:					
Wages and salaries.....	62,155	62,155	32,679	29,476	72,124
Overtime	15,000	15,000	8,388	4,612	5,091
F. I. C. A.	6,063	6,063	3,876	2,187	4,905
Retirement	57,864	57,864	20,340	37,524	50,993
Hospitalization insurance.....	14,400	14,400	12,579	1,821	14,110
Life/AD&D.....	272	272	232	40	307
Dental insurance	1,218	1,218	1,012	206	1,135
Workmen’s compensation	3,942	3,942	2,768	1,174	2,369
Dues and memberships	350	350	290	60	284
Professional services.....	1,000	1,000	155	845	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

<u>Function/Activity/Object</u>	<u>June 30, 2016</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2015</u>
	<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>			
PUBLIC SAFETY – FIRE (Continued):					
<u>Fire Prevention/Inspection:</u>					
Rental and maintenance contracts.....	1,500	1,500	-	1,500	29
Utilities	1,600	1,600	1,813	(213)	1,408
Employee education and training.....	2,000	2,000	841	1,159	-
Other personnel services.....	1,100	1,100	750	350	800
Mailing.....	50	50	24	26	13
Advertising	1,000	1,000	1,829	(829)	1,347
Computer equipment	-	-	-	-	18
Retiree insurance	5,400	5,400	5,805	(405)	5,292
Repairs and maintenance – office equipment	200	200	-	200	-
Office supplies	500	500	474	26	180
Small tools and minor equipment	1,250	1,250	1,216	34	432
Smoke detectors.....	500	500	-	500	-
Uniforms	600	600	1,418	(818)	600
Auto parts	1,000	1,000	716	284	676
Gasoline, fuel and lubricants.....	3,300	3,300	1,474	1,826	2,378
Insurance.....	1,000	1,000	2,290	(1,290)	818
Travel.....	4,500	4,500	4,400	100	4,018
Total Fire Prevention/Inspection.....	<u>185,764</u>	<u>185,764</u>	<u>105,369</u>	<u>80,395</u>	<u>169,327</u>
<u>Emergency Management Coordination:</u>					
Professional and consulting	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>-</u>
<u>Fire Fighting:</u>					
Wages and salaries – regular.....	1,371,625	1,271,785	1,298,709	(26,924)	1,254,163
Wages and salaries – temporary	-	-	-	-	84,255
Wages and salaries – overtime.....	130,000	229,840	177,008	52,832	122,725
F. I. C. A.	121,010	121,010	115,149	5,861	111,516
Retiree insurance	8,940	8,940	9,570	(630)	8,795
Retirement	406,879	406,879	397,533	9,346	458,003
Hospitalization insurance.....	388,800	388,800	390,621	(1,821)	391,490
Station furnishings	-	-	1,780	(1,780)	-
Fire equipment testing	10,000	10,000	10,256	(256)	22,524
Life/AD&D.....	6,307	6,307	6,989	(682)	7,347
Dental insurance	32,892	32,892	26,974	5,918	28,025
Workmen’s compensation	35,019	35,019	36,917	(1,898)	38,054
Drug/Alcohol testing	500	500	558	(58)	535
Mailing.....	500	500	38	462	117
Radio system annual contract	15,500	15,500	10,653	4,847	8,681
Equipment – lease purchase.....	46,275	46,275	46,272	3	46,272
Employee education and training/facilities.....	13,750	13,750	7,181	6,569	6,926
Tuition reimbursement.....	8,000	8,000	-	8,000	1,701
EMS supplies and equipment	3,500	3,500	1,464	2,036	-

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Function/Activity/Object	Original	Final			
PUBLIC SAFETY – FIRE (Continued):					
Fire Fighting (Continued):					
Other personnel services.....	75,183	75,183	97,796	(22,613)	69,658
Maintenance contracts	10,500	10,500	11,694	(1,194)	10,706
Travel.....	10,000	10,000	8,963	1,037	11,053
Office and station supplies.....	13,000	13,000	12,137	863	9,955
Small tools and minor equipment	12,500	12,500	7,631	4,869	12,191
Uniforms.....	26,000	26,000	26,608	(608)	26,791
Automotive parts	26,000	26,000	53,293	(27,293)	23,862
Printing	1,500	1,500	1,530	(30)	1,212
Repairs and maintenance	4,350	4,350	9,320	(4,970)	6,462
Gasoline, fuel and lubricants.....	17,000	17,000	8,176	8,824	10,827
Other commodities.....	11,600	11,600	173	11,427	2,393
Utilities	64,000	64,000	58,783	5,217	66,680
Insurance.....	20,300	20,300	18,591	1,709	19,087
Fire hydrant rental.....	20,670	20,670	20,670	-	20,670
Dues.....	2,400	2,400	-	2,400	100
Medical physicals	2,500	2,500	459	2,041	-
Professional and consultation	4,400	4,400	3,350	1,050	4,354
Computer equipment	-	-	716	(716)	-
Total Fire Fighting	<u>2,921,400</u>	<u>2,921,400</u>	<u>2,877,562</u>	<u>43,838</u>	<u>2,887,130</u>
TOTAL PUBLIC SAFETY – FIRE	<u>3,746,361</u>	<u>3,746,361</u>	<u>3,641,483</u>	<u>104,878</u>	<u>3,716,723</u>
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES:					
Parks and Recreation:					
Springbrook pool	-	-	720	(720)	-
Greenway	-	-	1,947	(1,947)	-
Little League Park.....	10,000	10,000	8,130	1,870	-
Senior Citizen Center.....	12,000	12,000	10,471	1,529	10,616
Repairs and maintenance	12,000	12,000	4,284	7,716	-
Special events	10,000	10,000	1,486	8,514	14,487
Freedom Fest	50,000	50,000	62,111	(12,111)	45,074
Support services and projects.....	<u>497,019</u>	<u>597,019</u>	<u>497,019</u>	<u>-</u>	<u>483,210</u>
Total Parks and Recreation	<u>591,019</u>	<u>591,019</u>	<u>586,168</u>	<u>4,851</u>	<u>553,387</u>
Blount County Library.....	<u>191,471</u>	<u>191,471</u>	<u>196,513</u>	<u>(5,042)</u>	<u>184,595</u>
Blount County Industrial Development					
Board.....	203,236	203,236	203,236	-	186,236
Park operations.....	34,500	34,500	34,500	-	27,500
Development Agreements.....	<u>382,991</u>	<u>382,991</u>	<u>382,991</u>	<u>-</u>	<u>356,991</u>
Total Industrial Development Board.....	<u>620,727</u>	<u>620,727</u>	<u>620,727</u>	<u>-</u>	<u>570,727</u>

(Continued)

CITY OF ALCOA, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

<u>Function/Activity/Object</u>	<u>June 30, 2016</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Total 2015</u>
	<u>Budgeted Amounts</u>	<u>Final</u>			
	<u>Original</u>	<u>Final</u>			
CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES (Continued):					
East Tennessee Development District	<u>1,352</u>	<u>1,352</u>	<u>1,352</u>	<u>-</u>	<u>1,352</u>
Blount County Family Services	<u>15,245</u>	<u>15,245</u>	<u>15,245</u>	<u>-</u>	<u>15,245</u>
Blount County Chamber of Commerce	<u>3,250</u>	<u>3,250</u>	<u>3,250</u>	<u>-</u>	<u>3,250</u>
Blount County Community Action Agency	<u>10,300</u>	<u>10,300</u>	<u>10,300</u>	<u>-</u>	<u>10,300</u>
Vocational Rehabilitation	<u>46,678</u>	<u>46,678</u>	<u>46,678</u>	<u>-</u>	<u>46,265</u>
In Lieu of Taxes	<u>300,500</u>	<u>335,500</u>	<u>335,136</u>	<u>364</u>	<u>298,873</u>
Centennial Committee	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,283</u>
Retirement Supplements	<u>141,528</u>	<u>225,928</u>	<u>149,527</u>	<u>76,401</u>	<u>140,000</u>
Other personnel services	<u>12,500</u>	<u>23,100</u>	<u>23,092</u>	<u>8</u>	<u>-</u>
TOTAL CONTRIBUTIONS AND GRANTS TO OTHER AGENCIES....	<u>1,936,070</u>	<u>2,066,070</u>	<u>1,989,488</u>	<u>76,582</u>	<u>1,825,277</u>
TOTAL EXPENDITURES	<u>\$18,205,000</u>	<u>\$18,375,000</u>	<u>\$17,811,901</u>	<u>\$ 563,099</u>	<u>\$17,552,434</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
Source of Revenue	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance – With Final Budget Positive (Negative)	Totals 2015
	Original	Final			
TAXES:					
Current city taxes.....	\$ 4,020,000	\$ 4,020,000	\$ 3,949,353	\$ (70,647)	\$ 3,959,891
Current county taxes.....	3,500,000	3,686,000	3,685,558	(442)	3,649,163
Previous year’s county taxes	166,000	141,000	136,579	(4,421)	199,325
Pick-up taxes	4,000	4,000	-	(4,000)	-
In-lieu of taxes.....	<u>30,000</u>	<u>30,000</u>	<u>34,185</u>	<u>4,185</u>	<u>33,520</u>
Total Taxes.....	<u>7,720,000</u>	<u>7,881,000</u>	<u>7,805,675</u>	<u>(75,325)</u>	<u>7,841,899</u>
MISCELLANEOUS REVENUE:					
Mixed drink tax	5,000	70,000	70,647	647	65,319
Regular tuition.....	315,000	255,000	253,541	(1,459)	237,650
Business tax, marriage licenses, fees.....	74,900	74,900	88,566	13,666	83,390
Local sales tax – County.....	2,360,000	2,460,000	2,513,019	53,019	2,003,590
Contributions/gifts/miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>46,951</u>	<u>34,951</u>	<u>29,955</u>
Total Miscellaneous Revenue.....	<u>2,766,900</u>	<u>2,871,900</u>	<u>2,972,724</u>	<u>100,824</u>	<u>2,419,904</u>
REVENUE FROM OTHER AGENCIES:					
State of Tennessee:					
Tennessee Foundation Program.....	7,225,000	7,225,000	7,231,000	6,000	7,049,750
State driver education	4,900	4,900	5,460	560	-
Career Ladder Program	70,000	43,000	43,550	550	90,581
Teachers Group Insurance.....	-	200,000	198,279	(1,721)	-
State Matching.....	5,800	5,800	7,517	1,717	7,937
Lottery Pre-K.....	162,400	162,400	170,445	8,045	170,445
Other State Funds	120,000	60,000	71,269	11,269	142,678
Coord. School Health	80,000	80,000	80,000	-	-
Education Handicapped ACT.....	-	71,000	71,570	570	40,919
ARRA.....	-	-	5,015	5,015	-
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>7,696,100</u>	<u>7,880,100</u>	<u>7,913,717</u>	<u>33,617</u>	<u>7,502,310</u>
TOTAL REVENUES	\$ 18,183,000	\$ 18,633,000	\$ 18,692,116	\$ 59,116	\$ 17,764,113

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016					
Activity/Object	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Totals 2015	
	Original	Final				
BOARD OF EDUCATION:						
Board member fees.....	\$ 6,850	\$ 6,850	\$ 5,700	\$ 1,150	\$ 5,700	
F.I.C.A./Medicare.....	524	524	436	88	436	
Professional services	28,000	28,000	16,750	11,250	15,000	
Dues and memberships.....	11,000	11,000	11,962	(962)	7,274	
Legal services	12,000	32,000	54,822	(22,822)	43,831	
Travel.....	15,000	15,000	8,610	6,390	8,857	
Liability insurance.....	31,000	31,000	28,921	2,079	26,126	
Surety bonds.....	1,500	1,500	1,350	150	1,350	
Commissions – Blount County Trustee	70,000	81,000	79,924	1,076	85,350	
Workmen’s compensation insurance.....	53,000	84,000	83,760	240	62,711	
Other charges/supplies.....	12,500	12,500	11,050	1,450	8,191	
Total Board of Education	241,374	303,374	303,285	89	264,826	
OFFICE OF THE SUPERINTENDENT:						
Administrative Officer.....	104,038	104,558	105,308	(750)	104,038	
F.I.C.A./Medicare.....	7,959	7,999	8,272	(273)	12,769	
Retirement	9,239	9,452	9,845	(393)	9,424	
Employee insurance.....	6,826	5,716	4,153	1,563	6,661	
Communication	15,000	15,000	14,477	523	11,879	
Travel.....	7,100	7,100	7,013	87	4,851	
Office supplies.....	250	250	-	250	753	
Other fringe benefits.....	6,000	6,000	6,000	-	3,350	
Career ladder	-	-	-	-	700	
Total Office of the Director	156,412	156,075	155,068	1,007	154,425	
OFFICE OF PRINCIPALS:						
Principals.....	293,087	380,885	391,184	(10,299)	303,656	
Assistant Principals	255,037	433,102	397,777	35,325	310,399	
Career ladder	9,500	7,500	4,459	3,041	6,519	
Secretaries	108,882	117,705	147,977	(30,272)	115,525	
Clerical personnel.....	39,930	81,404	86,270	(4,866)	-	
F.I.C.A./Medicare.....	54,042	78,076	66,040	12,036	50,745	
Retirement	66,938	93,378	114,889	(21,511)	104,800	
Employee insurance.....	65,763	126,836	106,912	19,924	79,002	
Communications.....	31,000	31,000	38,777	(7,777)	35,941	
Other contracted services.....	-	-	1,132	(1,132)	-	
Travel.....	9,000	16,000	10,166	5,834	8,467	
Total Office of Principals	933,179	1,365,886	1,365,583	303	1,015,054	
LOTTERY PRE-K FUNDS:						
Teacher salaries	115,166	123,056	123,664	(608)	119,889	
Education assistant	42,468	53,278	53,197	81	42,248	
F.I.C.A./Medicare.....	12,059	11,927	12,236	(309)	12,480	
Retirement	17,022	32,336	32,239	97	21,097	
Employee insurance.....	35,447	40,818	39,171	1,647	29,016	
Instructional supplies.....	1,500	7,175	7,175	-	1,487	
Education.....	527	-	-	-	-	
Total Lottery Pre-K Funds.....	224,189	268,590	267,682	908	226,217	

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
Activity/Object	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance – with Final Budget Positive (Negative)	Totals 2015
	Original	Final			
FISCAL SERVICES:					
Finance Director	46,817	47,051	47,051	-	46,817
Secretaries	41,035	47,417	37,089	10,328	37,828
F.I.C.A/Medicare.....	6,721	7,227	3,191	4,036	2,974
Retirement	6,566	7,700	7,100	600	6,540
Employee insurance.....	14,493	14,845	16,952	(2,107)	16,951
Travel.....	1,800	3,800	711	3,089	6,753
Office supplies.....	5,500	5,500	8,491	(2,991)	7,790
Other charges.....	28,000	28,000	40,628	(12,628)	32,856
Administration equipment	3,000	8,600	8,537	63	12,738
Total Fiscal Services.....	153,932	170,140	169,750	390	171,247
TRANSPORTATION:					
Transportation equipment.....	-	-	-	-	29,918
Bus Drivers.....	9,702	9,748	9,748	-	9,693
F.I.C.A/Medicare.....	743	743	743	-	743
Retirement	1,552	1,583	1,583	-	1,574
Employee insurance.....	84	-	-	-	-
Gasoline/Diesel.....	3,000	3,000	109	2,891	-
Tires and tubes.....	2,000	2,000	403	1,597	831
Vehicle parts.....	2,500	2,500	5,267	(2,767)	4,148
Other charges.....	15,000	15,000	31,758	(16,758)	10,892
Contracts with private agencies.....	214,000	200,000	188,320	11,680	215,160
Vehicle maintenance and repair.....	4,000	4,000	127	3,873	1,841
Vehicle and equipment insurance.....	2,000	-	-	-	-
Total Transportation	254,581	238,574	238,058	516	274,699
INSTRUCTION ELEMENTARY/ SECONDARY:					
Regular teacher salaries.....	6,453,473	6,294,688	6,275,790	18,898	6,283,093
Substitute /homebound teacher salaries....	71,000	71,000	153,704	(82,704)	129,540
F.I.C.A/Medicare.....	537,342	505,754	501,218	4,536	498,228
Retirement	645,424	645,110	705,590	(60,480)	687,103
Employee insurance.....	1,404,563	1,363,183	1,306,251	56,932	1,244,430
Unemployment insurance	3,000	3,000	9,392	(6,392)	2,216
Other contractual services	33,000	33,000	28,367	4,633	26,231
Other fringe benefits.....	4,000	4,000	750	3,250	500
Instructional supplies/materials	140,000	164,000	151,415	12,585	138,792
Textbooks	130,000	134,000	149,937	(15,937)	134,170
Educational assistants.....	386,469	390,485	337,910	52,575	362,032
Other supplies/charges.....	26,000	26,000	31,183	(5,183)	11,767
Career ladder program.....	131,900	61,000	23,877	37,123	51,921
Other salaries and wages	10,000	68,000	5,378	62,622	74,724
Education.....	-	-	577	(577)	-
Instruction equipment	130,000	195,000	276,000	(81,000)	107,029
Total Instruction Elementary/Secondary	10,106,171	9,958,220	9,957,339	881	9,751,786

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance – with	
Activity/Object	Original	Final	Budgetary Basis	Final Budget Positive (Negative)	Totals 2015
FAMILY RESOURCE CENTER:					
Supervisor/director	68,706	46,033	46,783	(750)	68,706
F.I.C.A./Medicare	5,256	3,521	3,211	310	3,545
Retirement	6,101	4,161	4,229	(68)	4,141
Travel.....	1,000	1,000	614	386	72
Other charges	2,975	2,975	2,941	34	1,040
Employee insurance.....	20,982	18,689	17,977	712	16,273
Total Family Resource.....	105,020	76,379	75,755	624	93,777
INSTRUCTION-REGULAR PROGRAM:					
Supervisor/Director	116,930	117,521	118,212	(691)	116,805
Career ladder.....	11,000	4,000	7,000	(3,000)	7,000
Librarians.....	190,983	185,560	195,810	(10,250)	175,343
Education	-	-	-	-	6,083
F.I.C.A./Medicare.....	23,849	22,935	26,243	(3,308)	22,814
Retirement	29,651	29,118	31,984	(2,866)	27,571
Employee insurance.....	31,981	40,719	37,193	3,526	37,770
Other fringe benefits	3,500	3,500	-	3,500	-
Consultants	4,000	4,000	-	4,000	-
Travel.....	2,000	4,000	2,841	1,159	1,418
Library books.....	28,000	43,000	41,808	1,192	26,400
Other salaries and wages	15,000	7,000	-	7,000	4,678
Total Instruction-Regular Program.....	456,894	461,353	461,091	262	425,882
OTHER STUDENT SUPPORT:					
Guidance personnel	225,919	254,635	253,210	1,425	248,802
Career ladder.....	5,000	-	-	-	-
F.I.C.A./Medicare	17,665	19,479	18,623	856	18,531
Retirement	20,506	23,019	22,890	129	22,492
Employee insurance.....	28,408	35,057	29,991	5,066	33,327
Evaluation and testing.....	20,000	41,000	49,105	(8,105)	31,361
Other contracted services.....	22,000	22,000	15,247	6,753	12,925
In service/staff development.....	21,000	30,000	35,101	(5,101)	50,588
Other supplies/charges.....	30,000	21,000	21,373	(373)	19,145
Total Other Student Support	390,498	446,190	445,540	650	437,171
HEALTH SERVICES:					
Wages	49,409	51,851	52,601	(750)	50,499
F.I.C.A./Medicare	3,844	8,859	9,171	(312)	9,139
Retirement	4,388	15,073	17,981	(2,908)	17,257
Employee insurance.....	6,572	6,861	6,489	372	6,055
Contractual services.....	90,000	13,000	6,301	6,699	44,160
Medical supplies	5,000	5,000	3,345	1,655	1,319
Other supplies and materials.....	6,000	6,000	6,029	(29)	5,284
Medical personnel.....	-	63,953	68,743	(4,790)	69,307
Other charges	21,000	21,000	20,341	659	17,441
Total Health Services.....	186,213	191,597	191,001	596	220,461

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
Activity/Object	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
	Original	Final			
HUMAN SERVICES:					
Secretaries	114,206	134,227	134,083	144	119,643
F.I.C.A./Medicare	8,737	9,809	9,920	(111)	3,417
Retirement	18,273	25,524	25,494	30	9,040
Employee insurance	21,069	9,072	9,064	8	965
Travel	500	4,500	4,258	242	1,906
Total Human Services	162,785	183,132	182,819	313	134,971
OPERATION OF PLANT:					
Custodial personnel.....	104,301	214,249	213,649	600	109,571
F.I.C.A/Medicare	7,979	18,532	16,514	2,018	7,995
Retirement	16,688	39,341	32,510	6,831	28,715
Employee insurance	28,063	50,381	50,126	255	31,041
Contractual services	200,000	184,000	183,769	231	182,833
Electricity	475,000	630,000	631,467	(1,467)	466,396
Natural gas	60,000	85,000	54,016	30,984	65,594
Water and sewer.....	77,000	82,000	87,022	(5,022)	69,230
Other supplies	10,000	10,000	474	9,526	335
Other charges	20,000	20,000	9,967	10,033	13,468
Rentals.....	6,500	6,500	11,148	(4,648)	10,574
Custodial supplies	35,000	57,000	51,101	5,899	38,334
Building and contents insurance.....	65,000	93,000	154,491	(61,491)	71,489
Disposable fees.....	11,000	11,000	7,278	3,722	7,061
Equipment	4,000	4,000	1,391	2,609	1,478
Total Operation of Plant.....	1,120,531	1,505,003	1,504,923	80	1,104,114
MAINTENANCE OF PLANT:					
Maintenance personnel.....	245,482	255,850	258,384	(2,534)	242,726
FICA/Medicare	18,779	19,573	19,017	556	17,937
Retirement	43,277	97,550	97,203	347	88,891
Employee insurance	53,383	44,569	33,997	10,572	46,674
Contractual services	60,000	225,000	224,985	15	216,444
Machinery parts	4,000	4,000	-	4,000	-
Building maintenance/repairs.....	60,000	69,325	96,453	(27,128)	67,365
Equipment repairs/maintenance	60,000	76,000	78,871	(2,871)	34,482
Supplies/materials	22,500	22,500	21,117	1,383	21,632
Other charges	14,100	24,100	12,348	11,752	15,616
Maintenance equipment	4,000	4,000	-	4,000	-
Total Maintenance of Plant	585,521	842,467	842,375	92	755,767

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Total 2015
Activity/Object	Original	Final			
FOOD SERVICES:					
Supervisor/Director	43,346	43,564	43,564	-	42,846
F.I.C.A./Medicare	3,316	3,333	3,333	-	3,099
Retirement.....	3,849	3,938	3,938	-	3,873
Employee insurance	5,551	5,434	5,434	-	5,237
Inservice/staff development	500	500	-	500	-
Office supplies/staff development.....	<u>150</u>	<u>150</u>	<u>-</u>	<u>150</u>	<u>-</u>
Total Food Services	<u>56,712</u>	<u>56,919</u>	<u>56,269</u>	<u>650</u>	<u>55,055</u>
CENTRAL AND OTHER					
Supervisor/Director	80,986	81,382	79,130	2,252	77,985
Data processing personnel.....	37,685	41,808	43,274	(1,466)	53,725
Clerical personnel	12,000	12,000	15,458	(3,458)	-
Other salaries and wages.....	72,369	172,999	163,074	9,925	73,677
FICA/Medicare	13,762	17,436	21,554	(4,118)	15,478
Retirement.....	20,713	26,712	30,714	(4,002)	23,579
Maintenance and repair	120,000	199,000	196,096	2m904	138,424
Travel	4,000	7,500	6,902	598	4,945
Other contracted services	28,000	28,000	34,974	(6,974)	39,180
Other charges	12,000	12,000	8,766	3,234	11,254
Employee insurance	<u>35,729</u>	<u>42,874</u>	<u>41,128</u>	<u>1,746</u>	<u>34,047</u>
Total Central and other	<u>437,244</u>	<u>641,711</u>	<u>641,070</u>	<u>641</u>	<u>472,294</u>
CAPITAL OUTLAY:					
Equipment and other	<u>225,000</u>	<u>21,200</u>	<u>21,108</u>	<u>92</u>	<u>19,586</u>
SPECIAL EDUCATION PROGRAM:					
Supervisor/director	32,812	32,979	32,979	-	32,812
Teachers	514,888	616,913	611,423	5,490	490,186
Career ladder	-	-	-	-	1,000
Speech pathologist	58,128	78,872	56,427	22,445	48,742
Other salaries and wages	7,459	-	-	-	-
F.I.C.A./Medicare	57,763	69,470	62,895	6,575	54,319
Retirement.....	68,829	88,838	86,578	2,260	74,537
Employee insurance	164,764	184,758	129,288	55,470	121,965
In-service/Staff development	1,450	3,000	2,921	79	1,634
Special Education equipment.....	5,000	5,000	2,686	2,314	778
Educational assistants	60,247	101,035	101,023	12	96,466
Psychological personnel.....	68,664	72,457	72,457	-	70,955
Travel	1,500	-	-	-	337

(Continued)

CITY OF ALCOA, TENNESSEE
EDUCATION FUND – SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

June 30, 2016					
Activity/Object	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Totals 2015
	Original	Final			
SPECIAL EDUCATION PROGRAM					
(Continued):					
Other supplies & materials	2,000	1,000	1,000	-	9,925
Contracts with Others	80,000	80,000	152,563	(72,563)	80,000
Instructional supplies and materials ..	2,000	4,000	3,914	86	3,520
Clerical personnel.....	22,923	30,874	30,874	-	26,944
Total Special Education Program...	1,148,427	1,369,196	1,347,028	22,168	1,114,120
VOCATIONAL EDUCATION:					
Teachers	193,752	211,039	210,981	58	197,612
Substitute teachers	2,500	2,500	-	2,500	-
F.I.C.A./Medicare.....	15,320	15,723	15,435	288	18,072
Retirement	17,560	18,355	19,163	(808)	22,872
Instructional supplies/textbooks	15,750	15,750	15,750	-	15,750
Employee insurance	35,935	37,127	37,149	(22)	34,632
Other charges.....	2,500	2,500	2,542	(42)	2,500
Career ladder	4,000	1,000	1,000	-	1,000
Vocational equipment.....	18,000	18,000	18,000	-	17,770
Total Vocational Education	305,317	321,994	320,020	1,974	310,208
TOTAL EXPENDITURES.....	\$17,250,000	\$18,578,000	\$18,545,764	\$ 32,236	\$17,001,650

See accompanying independent auditors' report and notes.

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.

School Construction and Improvement Fund – The school construction and improvement 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.

CITY OF ALCOA, TENNESSEE
SCHOOL CONSTRUCTION AND IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>	<u>2015</u>
REVENUES:					
Donations	\$ 170,000	\$ 170,000	\$ 170,000	\$ -	\$ 162,709
EXPENDITURES:					
Capital projects	278,172	278,171	172,918	105,253	54,538
Net Change in Fund Balance Before Other Financing Sources (Uses).....	(108,171)	(108,171)	(2,918)	105,253	108,171
Other Financing Sources (Uses):					
Transfers Out:					
Alcoa High School Construction Fund.....	-	-		-	(480,000)
Total Other Financing Sources (Uses)	-	-		-	(480,000)
Net Change in Fund Balance.....	(108,171)	(108,171)	(2,918)	105,253	(371,829)
Fund Balance, July 1 st	108,171	108,171	108,171	-	480,000
Fund Balance, June 30th	\$ -	\$ -	\$ 105,253	\$ 105,253	\$ 108,171

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ALCOA HIGH SCHOOL CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	<u>Totals</u>
			<u>Budgetary</u>	<u>Positive</u>	<u>2015</u>
			<u>Basis</u>	<u>(Negative)</u>	
REVENUES:					
Investment income	\$ 10,000	\$ 10,000	\$ 9,689	\$ 311	\$ 56,728
Donations	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>44,689</u>	<u>311</u>	<u>-</u>
EXPENDITURES:					
High School Project.....	1,139,476	1,139,476	925,478	213,998	15,542,353
Bond Issue Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,551</u>
Total Expenditures	<u>1,139,476</u>	<u>1,139,476</u>	<u>925,478</u>	<u>213,998</u>	<u>15,646,904</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>(1,094,476)</u>	<u>(1,094,476)</u>	<u>(880,789)</u>	<u>213,687</u>	<u>(15,590,176)</u>
Other Financing Sources (Uses):					
Bond Proceeds.....	-	-	-	-	4,145,000
Bond Premium.....	-	-	-	-	81,404
Transfer from School Construction Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,706,404</u>
Net Change in Fund Balance	(1,094,476)	(1,094,476)	(880,789)	213,687	(10,883,772)
Fund Balance, July 1 st	<u>1,151,203</u>	<u>1,151,203</u>	<u>1,151,203</u>	<u>-</u>	<u>12,034,975</u>
Fund Balance, June 30th	<u>\$ 56,727</u>	<u>\$ 56,727</u>	<u>\$ 270,414</u>	<u>\$ 213,687</u>	<u>\$ 1,151,203</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
GENERAL OBLIGATION PUBLIC WORKS CONSTRUCTION (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
State Grant	\$ 4,512,275	\$ 1,385,336	\$(3,126,939)	\$ 5,202,207
Team Health Wrights Ferry	-	-	-	178,158
Interest income	<u>53,000</u>	<u>52,074</u>	<u>(926)</u>	<u>-</u>
Total Revenue	<u>4,565,275</u>	<u>1,437,410</u>	<u>(3,127,865)</u>	<u>5,380,365</u>
Expenditures:				
Capital Outlay	3,365,275	1,399,422	1,965,853	7,673,215
Bank charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>202</u>
Total Expenditures	<u>3,365,275</u>	<u>1,399,422</u>	<u>1,965,853</u>	<u>7,673,417</u>
Net Change in Fund Balance Before Other Financing Sources (Uses)	<u>1,200,000</u>	<u>37,988</u>	<u>(1,162,012)</u>	<u>(2,293,052)</u>
Other Financing Sources:				
Bond premium	-	-	-	95,250
Bond proceeds	-	-	-	4,850,000
Transfer to other funds	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>	<u>4,945,250</u>
Net Change in Fund Balance	-	(1,162,012)	(1,162,012)	2,652,198
Fund Balance, July 1 st	<u>4,773,441</u>	<u>4,773,441</u>	<u>-</u>	<u>2,121,243</u>
Fund Balance, June 30th	<u>\$ 4,773,441</u>	<u>\$ 3,611,429</u>	<u>\$(1,162,012)</u>	<u>\$ 4,773,441</u>

See accompanying independent auditors' report and notes.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt not being accounted for in the enterprise funds. The Debt Service Fund is presented as a major fund in the basic financial statements.

CITY OF ALCOA, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Totals 2015
	Original	Final			
Revenues					
Interest income	\$ -	\$ -	\$ 12,543	\$ 12,543	\$ -
Expenditures:					
Bond/capital outlay note redemptions	5,460,136	5,460,136	5,560,136	(100,000)	5,269,964
Interest charges	6,539,864	6,539,864	3,949,082	2,590,782	4,003,952
Total Expenditures	12,000,000	12,000,000	9,509,218	2,490,782	9,273,916
Excess (Deficiency) of Revenues Over Expenditures	(12,000,000)	(12,000,000)	(9,496,675)	(2,503,325)	(9,273,916)
Other Financing Sources (Uses):					
Operating transfers – In:					
General Fund	4,401,120	4,491,134	3,959,069	532,065	5,062,841
Water Utility	3,435,524	3,435,524	2,429,478	1,006,046	3,023,654
Electric Utility	1,927,056	1,927,056	1,240,029	687,027	1,346,056
Landfill	974,962	974,962	983,862	(8,900)	999,131
Issuance of Debt	-	4,310,000	4,310,000	-	9,000,000
Underwriter’s Discount	-	-	-	-	(54,000)
Cost of Issuance	-	(90,993)	(90,993)	-	(102,820)
Payments to Escrow Refunding	-	(4,336,472)	(4,336,472)	-	(8,843,180)
Total Other Financing Sources (Uses)...	10,738,662	10,711,211	8,494,973	(2,216,238)	10,431,682
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(1,261,338)	(1,288,789)	(1,001,702)	(287,087)	1,157,766
Fund Balance at Beginning of Year	2,945,179	2,945,179	2,945,179	-	1,787,413
Prior Period Adjustment (Note 7)	-	-	(924,436)	(924,436)	-
Fund Balance at Beginning of Year, restated	-	2,945,179	2,020,743	(924,436)	1,787,413
Fund Balance at End of Year	\$ 1,683,481	\$ 1,656,390	\$ 1,019,041	\$ (637,349)	\$ 2,945,179

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u>	<u>Final Budget</u> <u>Positive</u>	<u>2015</u>
			<u>Basis)</u>	<u>(Negative)</u>	
Revenues:					
State gasoline tax	\$ 219,800	\$ 220,000	\$ 231,557	\$ 11,557	\$ 221,561
Investment income	200	-	-	-	-
Sale of equipment.....	-	20,000	-	(20,000)	-
Total Revenues.....	<u>220,000</u>	<u>240,000</u>	<u>231,557</u>	<u>(8,443)</u>	<u>221,561</u>
Expenditures:					
Streets:					
Resurfacing/stripping	127,500	137,500	81,945	55,555	66,080
Traffic signal maintenance	2,500	2,500	-	2,500	-
Other equipment and					
vehicles.....	85,000	95,000	9,163	85,837	5,692
Snow removal	5,000	5,000	13,206	(8,206)	7,575
Maintenance contracts.....	-	-	44	(44)	-
Total Expenditures	<u>220,000</u>	<u>240,000</u>	<u>104,358</u>	<u>135,642</u>	<u>79,347</u>
Excess (Deficiency) of Revenues					
Over Expenditures.....	-	-	127,199	127,199	142,214
Fund Balance at					
Beginning of Year	<u>531,839</u>	<u>531,839</u>	<u>531,839</u>	<u>-</u>	<u>389,625</u>
Fund Balance at End of Year	<u>\$ 531,839</u>	<u>\$ 531,839</u>	<u>\$ 659,038</u>	<u>\$ 127,199</u>	<u>\$ 531,839</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Grant revenue.....	<u>\$1,004,371</u>	<u>\$ 839,280</u>	<u>\$ (165,091)</u>	<u>\$ 833,318</u>
Expenditures:				
Personnel and related costs	557,686	526,226	31,460	514,154
Seminars/travel/staff development.....	97,449	86,438	11,011	85,756
Contracted services	68,582	53,208	15,374	78,532
Instructional materials and supplies	119,631	83,074	36,557	63,790
Equipment	99,153	90,334	8,819	16,921
Vocational equipment	11,000	-	11,000	14,200
Other miscellaneous charges.....	<u>50,870</u>	<u>-</u>	<u>50,870</u>	<u>59,965</u>
Total Expenditures	<u>1,004,371</u>	<u>839,280</u>	<u>165,091</u>	<u>833,318</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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 #16-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 17,430</u>	<u>\$ 17,430</u>	<u>\$ -</u>	<u>\$ 25,367</u>
Expenditures:				
Vocational Education Instruction:				
Instructional equipment.....	11,000	11,000	-	14,200
Vocational Education Support:				
Seminars/staff development/Travel....	<u>6,430</u>	<u>6,430</u>	<u>-</u>	<u>11,167</u>
Total Expenditures	<u>\$ 17,430</u>	<u>\$ 17,430</u>	<u>\$ -</u>	<u>\$ 25,367</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
TITLE I CARRY OVER PROJECT #15-01
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Monies received through the State of Tennessee	<u>\$ 79,256</u>	<u>\$ 77,141</u>	<u>\$ (2,115)</u>	<u>\$ 77,625</u>
Expenditures:				
Regular Education Instruction:				
Salaries and related costs.....	67,256	67,256	-	68,108
Inservice/Staff development.....	4,000	3,410	590	1,200
Travel	-	-	-	3,356
Materials and supplies	<u>8,000</u>	<u>6,475</u>	<u>1,525</u>	<u>4,961</u>
Total Expenditures	<u>\$ 79,256</u>	<u>\$ 77,141</u>	<u>\$ 2,115</u>	<u>\$ 77,625</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
NCLB TITLE I PROJECT #16-01
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 376,042</u>	<u>\$ 279,100</u>	<u>\$ (96,942)</u>	<u>\$ 233,003</u>
Expenditures:				
Regular Instruction:				
Salaries and related costs	177,538	173,659	3,879	148,885
Instructional equipment.....	61,306	48,403	12,903	16,143
Instructional supplies and materials	<u>40,358</u>	<u>23,982</u>	<u>16,376</u>	<u>34,415</u>
Total Regular Instruction	<u>279,202</u>	<u>246,044</u>	<u>33,158</u>	<u>199,443</u>
Regular Instruction Support:				
In-service/staff development/travel.....	36,840	31,200	5,640	31,975
Other charges	<u>60,000</u>	<u>1,856</u>	<u>58,144</u>	<u>1,585</u>
Total Regular Instruction Support.....	<u>96,840</u>	<u>33,056</u>	<u>63,784</u>	<u>33,560</u>
Total Expenditures	<u>\$ 376,042</u>	<u>\$ 279,100</u>	<u>\$ 96,942</u>	<u>\$ 233,003</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
TITLE II (PART A) TRAINING #15-21
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 88,494</u>	<u>\$ 63,686</u>	<u>\$ (24,808)</u>	<u>\$ 63,625</u>
Expenditures:				
Regular Education Support:				
Travel/training	35,120	34,140	980	19,462
In-service/staff development.....	-	-	-	6,958
Materials and supplies	13,778	103	13,675	370
Other contracted services.....	10,000	2,000	8,000	14,000
Salaries and related costs	<u>29,596</u>	<u>27,443</u>	<u>2,153</u>	<u>22,835</u>
Total Expenditures.....	<u>\$ 88,494</u>	<u>\$ 63,686</u>	<u>\$ 24,808</u>	<u>\$ 63,625</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA PRESCHOOL PROJECT #16-01
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 15,665</u>	<u>\$ 9,495</u>	<u>\$ (6,170)</u>	<u>\$ 8,284</u>
Expenditures:				
Seminars/travel	1,429	-	1,429	477
Instructional supplies and materials	14,236	9,495	4,741	6,927
Other charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>880</u>
Total Expenditures	<u>\$ 15,665</u>	<u>\$ 9,495</u>	<u>\$ 6,170</u>	<u>\$ 8,284</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
IDEA (PART B) PROJECT #12-01
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 387,484</u>	<u>\$ 352,596</u>	<u>\$ (34,888)</u>	<u>\$ 417,653</u>
Expenditures:				
Special Education Instruction:				
Teachers and assistants	177,685	155,449	22,236	173,222
Seminars/travel	14,500	12,028	2,472	4,952
Related salary costs.....	105,611	102,419	3,192	101,104
Instructional supplies and materials.....	13,259	9,407	3,852	9,356
Contracts with private agencies/others .	48,582	48,582	-	64,532
Equipment.....	27,847	24,711	3,136	778
Other charges	-	-	-	57,500
In service staff development	-	-	-	6,209
Total Expenditures	<u>\$ 387,484</u>	<u>\$ 352,596</u>	<u>\$ 34,888</u>	<u>\$ 417,653</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
FEDERAL PROJECTS – SPECIAL REVENUE FUND
E-RATE PROJECT #16-01 (Communications)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
Monies received through the State of Tennessee.....	<u>\$ 40,000</u>	<u>\$ 39,832</u>	<u>\$ (168)</u>	<u>\$ 7,761</u>
Expenditures:				
Special Education Instruction:				
Instructional supplies and equipment/materials	<u>\$ 40,000</u>	<u>\$ 39,832</u>	<u>\$ 168</u>	<u>\$ 7,761</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>June 30, 2016</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>2015</u>
			<u>(Budgetary</u>	<u>Positive</u>	
			<u>Basis)</u>	<u>(Negative)</u>	
Revenues:					
Lunch and breakfast payments -					
children	\$ 220,000	\$ 188,000	\$ 187,083	\$ (917)	\$ 157,043
Lunch and breakfast payments -					
adults	14,000	18,100	17,964	(136)	16,610
USDA reimbursements	500,000	577,000	577,126	126	477,162
Milk sales	5,000	1,500	1,458	(42)	2,381
Interest	-	-	50	50	98
A la carte and other income	<u>191,000</u>	<u>142,000</u>	<u>143,326</u>	<u>1,326</u>	<u>163,370</u>
Total Revenues.....	<u>930,000</u>	<u>926,600</u>	<u>927,007</u>	<u>407</u>	<u>816,664</u>
Expenditures:					
Food	435,000	461,000	433,436	27,564	382,972
Labor.....	385,000	433,000	458,649	(25,649)	410,347
Non-food supplies.....	50,000	29,000	28,894	106	18,415
Transportation	5,000	1,000	679	321	1,580
Ice cream and other expenses.....	45,000	26,000	25,564	436	19,486
Purchase of equipment.....	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>930,000</u>	<u>950,000</u>	<u>947,222</u>	<u>2,778</u>	<u>832,800</u>
Excess (Deficit) of Revenues Over					
Expenditures	-	(23,400)	(20,215)	3,185	(16,136)
Fund Balance at Beginning of Year	<u>33,372</u>	<u>33,372</u>	<u>33,372</u>	<u>-</u>	<u>49,508</u>
Fund Balance at End of Year	<u>\$ 33,372</u>	<u>\$ 9,972</u>	<u>\$ 13,157</u>	<u>\$ 3,185</u>	<u>\$ 33,372</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts	Variance With	
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)	Total 2015
Revenues:					
Fees	\$ 202,000	\$ 202,000	\$ 226,608	\$ 24,608	\$ 176,650
Expenditures:					
Salaries.....	134,463	134,463	131,120	3,343	118,599
Fringe benefits	24,804	24,804	20,677	4,127	22,847
Supplies and food.....	21,000	21,000	5,582	15,418	9,667
Other charges	21,733	21,733	19,821	1,912	14,759
Total Expenditures	202,000	202,000	177,200	24,800	165,872
Excess (Deficiency) of Revenues Over Expenditures	-	-	49,408	49,408	10,778
Fund Balance at Beginning of Year	126,336	126,336	126,336	-	115,558
Fund Balance at End of Year.....	\$ 126,336	\$ 126,336	\$ 175,744	\$ 49,408	\$ 126,336

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total <u>2015</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
Fines and forfeits:					
DVD sales	\$ -	\$ -	\$ 1,590	\$ 1,590	\$ -
Drug Control and seizure	<u>32,282</u>	<u>32,282</u>	<u>22,091</u>	<u>(10,191)</u>	<u>28,296</u>
Total Revenues.....	<u>32,282</u>	<u>32,282</u>	<u>23,681</u>	<u>(8,601)</u>	<u>28,296</u>
Expenditures:					
Capital outlay	7,750	7,750	-	7,750	30,719
Drug control and seizure	6,000	6,000	2,457	3,543	27,213
K9.....	18,532	18,532	18,059	473	-
Bank charges.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>
Total expenditures.....	<u>32,282</u>	<u>32,282</u>	<u>20,516</u>	<u>11,766</u>	<u>57,947</u>
Excess (Deficiency) of Revenues					
Over Expenditures.....	-	-	3,165	3,165	(29,651)
Fund Balance at Beginning of Year	<u>15,250</u>	<u>15,250</u>	<u>15,250</u>	<u>-</u>	<u>44,901</u>
Fund Balance at End of Year	<u>\$ 15,250</u>	<u>\$ 15,250</u>	<u>\$ 18,415</u>	<u>\$ 3,165</u>	<u>\$ 15,250</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	June 30, 2016				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
	Original	Final			
Revenues:					
Fines.....	\$ -	\$ -	\$ 119	\$ 119	\$ 644
Expenditures	-	-	-	-	8,000
Excess (Deficiency) of Revenues Over Expenditures	-	-	119	119	(7,356)
Fund Balance at Beginning of Year...	1,520	1,520	1,520	-	8,876
Fund Balance at End of Year.....	\$ 1,520	\$ 1,520	\$ 1,639	\$ 119	\$ 1,520

See accompanying independent auditors' report and notes.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds.

2001 Special Projects Fund – The 2001 Special Projects Fund is used to account for the acquisition and construction of improvements to roads.

Equipment Replacement Fund – The Equipment Replacement Fund is used to account for the acquisition of equipment.

Bessie Harvey Memorial Projects Fund – The Bessie Harvey Memorial Projects Fund is used to account for improvements to parks.

Home Grant Program Fund – The Home Grant Program Fund is used to account for improvements for low income residents.

Landscaping Fund – The Landscaping Fund is used to account for improvements to landscaping areas of the city.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition of equipment.

CITY OF ALCOA, TENNESSEE
2001 SPECIAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:	<u>\$ 344,736</u>	<u>\$ -</u>	<u>\$ 344,736</u>	<u>\$ -</u>
Expenditures:				
Middlesettlements Road.....	344,736	24,818	319,918	-
Bank charges.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>
Total Expenditures	<u>344,736</u>	<u>24,818</u>	<u>319,918</u>	<u>310</u>
 Net Change in Fund Balance	 -	 (24,818)	 24,818	 (310)
Fund Balance, July 1 st	<u>343,985</u>	<u>343,985</u>	<u>-</u>	<u>344,295</u>
Fund Balance, June 30th	<u>\$ 343,985</u>	<u>\$ 319,167</u>	<u>\$ 24,818</u>	<u>\$ 343,985</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
Revenues:				
Interest of investments	\$ -	\$ 4,852	\$ 4,852	\$ -
Other revenue.....	-	1,500	1,500	21,599
Sale of equipment	-	-	-	3,565
Total Revenues	-	6,352	6,352	25,164
Expenditures:				
Capital Outlay	1,200,000	728,107	471,893	1,381,956
Bond issue costs.....	-	-	-	19,639
Total expenditures	1,200,000	728,107	471,893	1,401,595
Net Change in Fund Balance Before Other Financing Sources (Uses)	(1,200,000)	(721,755)	478,245	(1,376,431)
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	1,000,000
General Fund – transfer in	-	-	-	57,383
General Obligation Public Works Construction Fund – transfer in	1,200,000	1,200,000	-	-
Total Other Financing Sources (Uses)....	1,200,000	1,200,000	-	1,057,383
Net Change in Fund Balance	-	478,245	478,245	(319,048)
Fund Balance, July 1 st	21,896	21,896	-	340,944
Fund Balance, June 30th	\$ 21,896	\$ 500,141	\$ 478,245	\$ 21,896

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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>Total 2015</u>
Revenues:				
State Grant (THDA).....	\$ 185,127	\$ 185,127	\$ -	\$ -
Expenditures:				
Home Improvements	185,127	185,127	-	-
Net Change in Fund Balance.....	-	-	-	-
Fund Balance, July 1 st	743	743	-	743
Fund Balance, June 30th	<u>\$ 743</u>	<u>\$ 743</u>	<u>\$ -</u>	<u>\$ 743</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDSCAPING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
Revenues:				
Charges for services.....	<u>11,000</u>	<u>17,450</u>	<u>6,450</u>	<u>14,213</u>
Expenditures:				
Landscaping Projects	27,000	-	27,000	1,125
Sidewalk Projects.....	20,000	8,058	11,942	17,636
Bank charges.....	-	-	-	42
Greenway Projects	<u>23,000</u>	<u>6,412</u>	<u>16,588</u>	<u>50,039</u>
Total Expenditures.....	<u>70,000</u>	<u>14,470</u>	<u>55,530</u>	<u>68,842</u>
Net Change in Fund Balance	(59,000)	2,980	61,980	(54,629)
Fund Balance, July 1 st	<u>80,058</u>	<u>80,058</u>	<u>-</u>	<u>134,687</u>
Fund Balance, June 30th	<u>\$ 21,058</u>	<u>\$ 83,038</u>	<u>\$ 61,980</u>	<u>\$ 80,058</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)	Total 2015
Revenues:				
Intergovernmental	\$ 107,240	\$ 121,860	\$ 14,620	\$ 27,240
Expenditures:				
Capital Outlay	109,500	101,551	7,949	95,518
Bank Charges	-	211	(211)	116
Total Expenditures	<u>109,500</u>	<u>101,762</u>	<u>7,738</u>	<u>95,634</u>
Net Change in Fund Balance	(2,260)	20,098	22,358	(68,394)
Fund Balance, July 1 st	<u>6,366</u>	<u>6,366</u>	-	<u>74,760</u>
Fund Balance, June 30th	<u>\$ 4,106</u>	<u>\$ 26,464</u>	<u>\$ 22,358</u>	<u>\$ 6,366</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 592,672	\$ 826,839
Accounts receivable.....	99,056	-
Total Current Assets	<u>691,728</u>	<u>826,839</u>
Depreciable Capital Assets:		
Structures, improvements and equipment.....	654,516	652,742
Less: Allowance for depreciation	<u>(378,840)</u>	<u>(307,520)</u>
Total Net Capital Assets	<u>275,676</u>	<u>345,222</u>
TOTAL ASSETS	<u>967,404</u>	<u>1,172,061</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals.....	<u>104,809</u>	<u>57,433</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	13,204	104,634
Accrued salaries.....	15,166	10,310
Compensated absences	<u>42,975</u>	<u>39,193</u>
Total Current Liabilities.....	<u>71,345</u>	<u>154,137</u>
Long-Term Liabilities:		
Net pension liability.....	<u>51,393</u>	<u>28,057</u>
TOTAL LIABILITIES.....	<u>122,738</u>	<u>182,194</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	<u>51,654</u>	<u>64,598</u>
NET POSITION:		
Unrestricted	622,145	637,480
Net investment in capital assets	<u>275,676</u>	<u>345,222</u>
TOTAL NET POSITION.....	<u>\$ 897,821</u>	<u>\$ 982,702</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Residential sales	\$ 158,859	\$ 157,343
Commercial/Industrial sales	<u>902,614</u>	<u>878,245</u>
Total Operating Revenue.....	<u>1,061,473</u>	<u>1,035,588</u>
Operating Expenses:		
Administrative	307,168	276,393
Operations and maintenance.....	679,000	667,884
Street cleaning	<u>88,880</u>	<u>89,326</u>
Total Operating Expenses Before Depreciation	<u>1,075,048</u>	<u>1,033,603</u>
Operating Income (Loss) Before Depreciation and Interest Income	(13,575)	1,985
Depreciation	(71,321)	75,394
Interest Income	<u>15</u>	<u>-</u>
Operating Income (Loss).....	<u>(84,881)</u>	<u>(73,409)</u>
Net Position at Beginning of Year.....	982,702	1,127,061
Prior Period Adjustment (Note 7).....	<u>-</u>	<u>(70,950)</u>
Net Position – Beginning of Year, as restated.....	<u>982,702</u>	<u>1,056,111</u>
Net Position at End of Year	<u>\$ 897,821</u>	<u>\$ 982,702</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers.....	\$ 962,432	\$ 1,121,184
Cash payments to suppliers for goods and services	(452,615)	(400,961)
Cash payments to employees for services	<u>(681,889)</u>	<u>(513,278)</u>
Net Cash Flows from Operating Activities.....	<u>(172,072)</u>	<u>206,945</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for stormwater acquisitions	(1,774)	(2,500)
Principal paid on capital lease	-	(27,947)
Pension deferrals.....	<u>(60,321)</u>	<u>(63,785)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(62,095)</u>	<u>(94,232)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(234,167)	112,713
Cash and Cash Equivalents at Beginning of Year	<u>826,839</u>	<u>714,126</u>
Cash and Cash Equivalents at End of Year	<u>\$ 592,672</u>	<u>\$ 826,839</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (84,881)	\$ (73,409)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation.....	71,321	75,394
Change in assets and liabilities:		
Accounts receivable.....	(99,056)	85,596
Compensated absences	3,782	8,422
Accrued salaries.....	4,856	2,474
Due to Employee Insurance Fund.....	-	(3,382)
Accounts payable.....	(91,430)	83,793
Net pension liability.....	<u>23,336</u>	<u>28,057</u>
Total adjustments.....	<u>(87,191)</u>	<u>280,354</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ (172,072)</u>	<u>\$ 206,945</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Administrative and General:		
Wages	\$ 159,383	\$ 124,394
FICA	10,936	8,963
Retirement	14,339	13,247
Hospitalization insurance	34,729	30,241
Life/accidental death insurance	730	657
Dental insurance	2,754	2,404
Other personal services.....	2,110	6,573
Regulatory fees and license	5,293	4,020
Utilities	1,404	1,022
Maintenance contracts	-	57
Travel.....	275	-
Workmen's compensation	1,492	1,515
Employee education and training	170	358
Professional services	17,965	16,798
Dues and memberships	5,902	11,449
Advertising/public education.....	2,338	3,479
Business/Public relations	-	14
Printing	211	218
Auto parts	46	-
Safety supplies.....	-	5
Insurance	2,152	1,540
Utility processing.....	10,045	8,444
Computer equipment	1,821	9,526
Improvement teams	511	418
GIS – System.....	20,759	23,343
Office supplies.....	-	18
Other operating supplies	124	29
Service charges	-	237
Radio system annual contract	1,011	735
Small tools	-	122
Machinery and equipment	122	-
Uniforms.....	72	322
Cost-recovery – Service center	6,889	6,245
Repair and maintenance.....	546	-
Communication equipment.....	3,039	-
Total Administrative and General	<u>307,168</u>	<u>276,393</u>
Operations and Maintenance:		
Wages	256,245	222,615
Standby pay	11,173	10,612
Overtime	8,005	12,725
F.I.C.A.	20,035	18,520
Retirement	66,976	71,224
Hospitalization insurance	82,758	77,625
Life/Accidental death insurance	1,405	1,398
Dental insurance	5,962	5,088
Workmen's compensation	17,361	11,532
Other personal services.....	-	11,894
Landfill	40	-
Computer equipment	-	19
Improvement teams	-	150
Radio systems annual contracts	147	147

(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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Operations and Maintenance (Continued):		
Other operating supplies	662	461
Utilities	951	403
Drug/Alcohol test.....	373	145
Retiree insurance	9,675	8,820
Employee education and training.....	818	200
Travel.....	600	1,477
Gasoline	8,350	13,742
Equipment lease.....	-	358
Maintenance contracts	-	29
Small tools	800	859
Uniforms.....	1,895	1,830
Auto parts	12,668	7,474
Safety supplies	828	2,407
Insurance.....	1,789	1,445
Repair and maintenance.....	13,464	32,203
Storm sewer rehabilitation	48,503	63,382
Cost recovered	107,400	88,736
Dues and memberships	-	29
Regulatory fees and license	27	37
Professional services.....	90	-
Machinery and equipment	-	298
Total Operations and Maintenance	<u>679,000</u>	<u>667,884</u>
Street Cleaning:		
Wages	45,625	38,688
Standby pay	2,622	2,540
Overtime pay	232	283
F.I.C.A.	3,289	3,120
Retirement	1,279	8,438
Retiree insurance	6,000	5,880
Hospitalization insurance.....	14,400	14,400
Life/Accidental death insurance	248	259
Dental insurance	1,158	1,158
Workmen's compensation	1,967	381
Other personal services.....	1,914	-
Professional services.....	-	10
Landfill services.....	314	1,192
Uniforms.....	536	166
Auto parts	3,296	5,268
Gasoline	5,064	6,907
Safety	70	13
Insurance.....	330	262
Repair and maintenance.....	284	10
Other operating supplies	139	213
Small tools	113	138
Total Street Cleaning	<u>88,880</u>	<u>89,326</u>
Total Operating and Maintenance	<u>\$ 1,075,048</u>	<u>\$ 1,033,603</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, 2016

	<u>Capital Assets</u>			<u>Allowance for Depreciation</u>				
	<u>Balance</u>	<u>Reclassi-</u>		<u>Balance</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Additions</u>	<u>Balance</u>
	<u>7/01/15</u>	<u>fications/</u>	<u>Deletions</u>	<u>6/30/16</u>	<u>7/1/2015</u>	<u>Taken</u>	<u>Reclassifications/</u>	<u>6/30/2016</u>
		<u>Additions</u>					<u>Deductions</u>	
2002 Ford F250 Truck	\$ 20,564	\$ -	\$ -	\$ 20,564	\$ 20,564	\$ -	\$ -	\$ 20,564
2014 Ford Super Duty	34,929	-	-	34,929	10,997	6,986	-	17,983
Vacuum Truck	259,222	-	-	259,222	149,052	25,922	-	174,974
Geocollector XH6000.....	9,500	-	-	9,500	9,500	-	-	9,500
Bobcat Loader.....	49,361	-	-	49,361	15,870	4,936	-	20,806
2013 Freightliner	79,878	-	-	79,878	25,961	7,988	-	33,949
Schwarze Street Sweeper.....	168,940	-	-	168,940	49,274	21,117	-	70,391
Bobcat 72" Brushcat.....	-	1,774	-	1,774	-	325	-	325
2011 Ford F250 4x4	<u>30,348</u>	<u>-</u>	<u>-</u>	<u>30,348</u>	<u>26,302</u>	<u>4,046</u>	<u>-</u>	<u>30,348</u>
Total Stormwater								
Utility	<u>\$ 652,742</u>	<u>\$ 1,774</u>	<u>\$ -</u>	<u>\$ 654,516</u>	<u>\$ 307,520</u>	<u>\$ 71,320</u>	<u>\$ -</u>	<u>\$ 378,840</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Current Assets:		
Equity in pooled cash.....	\$ 3,258,910	\$ 6,003,947
Inventory.....	829,018	768,700
Accounts receivable.....	1,147,999	94,415
Certificate of Deposit.....	1,003,203	-
Due from Debt Service Fund.....	<u>722,205</u>	<u>722,151</u>
Total Current Assets	<u>6,961,335</u>	<u>7,589,213</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land and easements	1,194,236	1,194,236
Construction in progress	<u>-</u>	<u>43,461</u>
	<u>1,194,236</u>	<u>1,237,697</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	85,452,251	84,659,310
Less: Allowance for depreciation	<u>(27,709,800)</u>	<u>(25,418,444)</u>
Net Depreciable Capital Assets	<u>57,742,451</u>	<u>59,240,866</u>
Total Net Capital Assets	<u>58,936,687</u>	<u>60,478,563</u>
TOTAL ASSETS	<u>65,898,022</u>	<u>68,067,776</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred state regulatory charges	313,657	640,777
Pension deferrals.....	485,087	274,712
Deferred amount on refunding.....	530,000	-
Accumulated decrease in fair value of hedging derivatives.....	<u>2,894,952</u>	<u>2,040,247</u>
Total Deferred Outflows of Resources	<u>4,223,696</u>	<u>2,955,736</u>

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
LIABILITIES:		
Current Liabilities:		
Accrued salaries	75,821	58,313
Accounts payable	745,921	676,829
Bonds payable – Due within one (1) year	925,000	905,000
Compensated absences	196,967	249,948
Revolving loan – Due within one (1) year	160,500	155,136
Bond premium	<u>6,006</u>	<u>-</u>
Total Current Liabilities	<u>2,110,215</u>	<u>2,045,226</u>
Long-Term Liabilities:		
General obligation bonds payable	42,290,00	42,695,000
Compensated absences	49,242	61,963
Revolving loan payable	3,238,201	3,398,701
Net pension liability	321,843	207,280
Derivatives – Interest Rate Swap	<u>2,894,952</u>	<u>2,040,247</u>
Total Long-Term Liabilities	<u>48,794,238</u>	<u>48,403,191</u>
TOTAL LIABILITIES	<u>50,904,453</u>	<u>50,448,417</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>199,363</u>	<u>262,745</u>
NET POSITION:		
Unrestricted	6,394,916	6,987,624
Net investment in capital assets	<u>12,622,986</u>	<u>13,324,726</u>
TOTAL NET POSITION	<u>\$ 19,017,902</u>	<u>\$ 20,312,350</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Retail water sales	\$ 4,301,526	\$ 4,208,856
Wholesale water sales	848,893	761,286
Wholesale water sales – ALCOA.....	1,219,984	1,247,371
Sewer charges	4,400,152	4,288,801
Other Operating Revenue:		
Penalties	201,814	171,344
Sewer taps	21,825	31,925
Connections.....	83,300	79,000
Fire hydrant rental	20,670	20,670
Line extension.....	17,802	20,517
Miscellaneous.....	21,490	22,528
Reimbursement from Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, TN.....	68,350	-
Total Operating Revenue	<u>11,205,806</u>	<u>10,852,298</u>
Operating Expenses:		
Administration	768,786	761,744
Accounting and collections	852,186	775,014
Supervision	307,044	276,192
Water treatment plant.....	1,522,777	1,502,677
Environmental compliance.....	111,684	119,010
Transmission and distribution	865,959	744,488
Meter reading and repairs.....	638,021	596,592
Water maintenance.....	253,161	229,829
Sewer collection/pumping.....	518,089	339,145
Special Projects	55,328	233
Sewer disposal.....	2,197,113	2,018,333
Total Operating Expenses	<u>8,090,148</u>	<u>7,363,257</u>
Other Operating Expense:		
Depreciation	2,527,880	2,425,742
Operating Income.....	<u>587,778</u>	<u>1,063,299</u>
Other Income:		
Sale of equipment.....	37,431	-
Interest income	3,329	603
Derivative investment income.....	8,621	-
Total Other Income.....	<u>49,381</u>	<u>603</u>
Other Expense:		
Amortization of State Regulatory Charges	(321,114)	(26,617)
Interest expense – Bonds and capital leases.....	(1,244,342)	(1,170,402)
Total Other Expense	<u>(1,565,456)</u>	<u>(1,197,019)</u>
Net Income Before Contributions and Transfers.....	<u>(928,297)</u>	<u>(133,117)</u>
Transfer in lieu of taxes.....	(400,000)	(400,000)
Capital Contributions	<u>33,849</u>	<u>1,610,605</u>
Change in Net Position.....	<u>(1,294,448)</u>	<u>1,077,488</u>
Net Position at Beginning of Year, as previously reported	20,312,350	19,468,901
Prior Period Adjustment:		
Pensions (Note 8).....	-	(359,917)
Investment income from ineffective hedging derivative instrument (Note 7)	-	91,300
Interest due from Debt Service (Note 7)	-	34,578
Net Position at Beginning of Year, as restated.....	<u>20,312,350</u>	<u>19,234,862</u>
Net Position at End of Year.....	<u>\$ 19,017,902</u>	<u>\$ 20,312,350</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers.....	\$ 10,100,471	\$ 11,249,917
Cash payments to suppliers for goods and services.....	(5,612,514)	(5,403,954)
Cash payments to employees for services	<u>(2,336,167)</u>	<u>(1,782,020)</u>
Net Cash Flows From Operating Activities.....	<u>2,151,790</u>	<u>4,063,943</u>
CASH FLOWS FROM CAPITAL AND RELATED:		
FINANCING ACTIVITIES		
Principal paid and early extinguishment of bonds.....	(5,790,136)	(1,024,964)
Interest paid on notes/bonds/capital leases	(1,244,342)	(1,170,402)
Payments for acquisition and construction of capital assets	(1,030,108)	(3,115,791)
Issuance of debt	5,250,000	-
Other revenue	46,052	19,997
Pension deferrals	55,643	(371,884)
Contributions in Aid of Construction	33,849	1,610,605
Deferred amount on refunding.....	(500,000)	-
Amortization.....	<u>(321,114)</u>	<u>-</u>
Net Cash Flows From (Used by) Capital and Related Financing Activities	<u>(3,500,156)</u>	<u>(4,052,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	3,329	603
Purchase of investments	<u>(1,000,000)</u>	<u>-</u>
Net Cash Flows From Investing Activities.....	<u>(996,671)</u>	<u>603</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out – In lieu of tax	<u>(400,000)</u>	<u>(400,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,745,037)	(387,893)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,003,947</u>	<u>6,391,840</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,258,910</u>	<u>\$ 6,003,947</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income.....	\$ 587,778	\$ 1,063,299
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation.....	2,527,880	2,425,742
Changes in assets and liabilities:		
Accounts receivable	(1,044,963)	1,005,457
Compensated absences.....	(65,702)	(70,151)
Inventory	(60,318)	79,735
Accrued salaries	17,508	6,684
Accounts payable	69,092	33,470
Net pension liability	114,563	207,280
Bond premium	6,006	-
Due from other funds	(54)	(687,573)
Total Adjustments	1,564,012	3,000,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,151,790</u>	<u>\$ 4,063,943</u>

Accounting Policy Note:

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

The Water and Sewer Utility Fund acquired capital assets that were reclassified from construction in progress as follows:

Year Ended
June 30,

2016	\$ 43,461
2015	\$ 306,805
2014	\$ 240,236
2013	\$ 5,012,425
2012	\$ -

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Administrative and General:		
Wages.....	\$ 350,602	\$ 329,572
F.I.C.A.....	24,835	24,260
Retirement.....	37,590	43,050
Hospitalization insurance	56,904	59,184
Life/Accidental death insurance.....	1,462	1,539
Dental insurance.....	4,185	4,368
Workmen's compensation.....	1,030	1,073
Retiree insurance	323	294
Professional service.....	57,142	101,815
Mailing.....	-	7
Advertising/Public Relations.....	1,223	3,928
Travel and training	4,378	1,687
Drug/alcohol test	374	336
Gasoline	192	360
Safety	860	1,170
Dues	14,636	17,032
Printing.....	619	602
Maintenance contracts.....	1,867	101
Utilities.....	2,184	1,753
Other contracted services	6,858	3,843
Office supplies	1,160	580
Insurance	13,456	11,769
Other personnel services	15,452	5,756
Repair and maintenance	546	-
GIS System.....	20,759	23,343
Operating supplies.....	343	17
Costs recovered	121,818	95,678
Computer Equipment	821	-
Improvement teams	1,341	1,056
Radio system annual contract.....	2,827	2,058
Uniforms	416	303
Small tools.....	38	194
Auto parts	447	30
Machinery/equipment.....	5,422	7,107
Public education	-	410
Regulatory fees and license.....	16,676	17,469
Total Administrative and General.....	<u>768,786</u>	<u>761,744</u>
Accounting and Collections:		
Wages.....	371,632	341,225
Overtime.....	143	141
F.I.C.A.....	26,443	26,947
Retirement.....	78,844	75,704
Hospitalization insurance	101,831	104,099
Life/Accidental death insurance.....	1,921	2,032
Dental insurance.....	7,221	7,196
Workmen's compensation.....	589	648
Retiree insurance	-	750
Retirement settlement.....	4,010	-

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Accounting and Collections (Continued):		
Other personnel service	4,180	-
Drug/alcohol test.....	-	9
Dues.....	25	25
Travel.....	-	4
Professional services.....	11,969	9,010
Mailing.....	56,211	55,006
Credit card processing	41,380	39,484
Repair and maintenance.....	173	527
Printing	1,340	1,278
Maintenance contracts	39,290	9,761
Rent expense.....	57,000	57,000
Utilities	1,426	1,367
Other contractual services.....	1,144	1,194
Collection fees	10,767	9,398
Office supplies	5,597	6,942
Billing process	26,335	22,582
Insurance.....	2,474	2,380
Uniforms.....	-	35
Computer equipment	241	270
Total Accounting and Collections	<u>852,186</u>	<u>775,014</u>
Supervision:		
Wages	129,176	117,476
Standby pay	5,888	5,391
Overtime	8,944	9,715
F.I.C.A.	11,043	10,473
Retirement	91,246	74,190
Retirement supplement	15,960	-
Employee education and training.....	6	-
Hospitalization insurance.....	28,560	28,800
Life/Accidental death insurance	604	624
Dental insurance	2,297	2,316
Workmen's compensation	4,708	5,227
Other personnel service	-	13,321
Dues and memberships	-	136
Travel and training.....	422	2,501
Improvement teams	100	125
Utilities	4,532	3,211
Office supplies	25	135
Uniforms.....	635	221
Automotive parts	518	199
Gasoline	1,047	943
Insurance.....	1,075	943
Regulatory fees and license	210	60
Maintenance contract.....	-	116
Advertising	-	69
Computer equipment	48	-
Total Supervision	<u>307,044</u>	<u>276,192</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Water Treatment:		
Wages	408,837	426,717
Overtime	1,875	1,993
F.I.C.A.	35,923	33,309
Retirement	128,804	135,389
Retirement settlement	67,509	-
Hospitalization insurance	124,800	121,200
Life/Accidental death insurance	2,295	2,416
Dental insurance	8,012	8,049
Workmen's compensation	15,392	17,356
Retiree insurance	10,020	5,880
Other operating supplies	1,877	2,306
Lab supplies	5,423	6,201
Advertising	1,952	278
Drug/alcohol test	156	178
Employee education and training	2,293	2,185
Professional fees	256	216
Mailing	237	217
Dues	90	90
Regulatory fees	8,350	16,110
Travel	6,850	6,997
Public relations	137	-
Improvement teams	413	434
Printing	104	104
Rental/Maintenance contracts	2,273	3,389
Utilities	476,359	504,046
Other contractual services	6,011	6,487
Office supplies	959	1,071
Small tools	296	373
Uniforms	2,863	2,761
Automotive parts	1,380	1,217
Electrical and plumbing	91	852
Chemicals	93,079	110,700
Gasoline	1,301	1,875
Safety supplies	429	647
Insurance	47,266	47,925
Repair and maintenance	52,576	33,609
Communication equipment	407	100
Machinery and equipment	4,954	-
Computer equipment	928	-
Total Water Treatment	<u>1,522,777</u>	<u>1,502,677</u>
Environmental Compliance:		
Wages	49,668	56,367
F.I.C.A.	3,606	4,212
Retirement	32,829	30,815
Hospitalization insurance	14,400	17,280
Life/Accidental death insurance	264	335
Dental insurance	1,158	1,390
Workmen's compensation	1,695	2,129
Other personnel services	-	1,456
Maintenance contracts	-	29
Employee education and training	60	60

(Continued)

CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY FUND – ENTERPRISE FUND
SCHEDULE OF OPERATING AND MAINTENANCE
EXPENSES BY DEPARTMENT (Continued)
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Environmental Compliance (Continued):		
Regulatory fees and license	301	60
Dues.....	10	239
Travel.....	1,344	1,127
Office supplies.....	224	79
Small tools	2,031	49
Uniforms.....	230	242
Mailing	-	36
Other operating supplies.....	109	56
Utilities	300	340
Repair and maintenance.....	57	284
Automotive parts	2,332	368
Electrical & Plumbing	188	39
Gasoline.....	286	992
Insurance	562	838
Safety.....	30	51
Computer equipment	-	137
Total Environmental Compliance.....	<u>111,684</u>	<u>119,010</u>
Transmission and Distribution:		
Wages	299,387	138,748
Standby pay	19,425	17,523
Overtime.....	30,436	21,458
F.I.C.A.....	25,955	26,432
Retirement	52,034	119,338
Hospitalization insurance	114,463	114,021
Life/Accidental death insurance	1,833	1,961
Dental insurance	8,018	7,874
Workmen's compensation	10,864	13,238
Retiree insurance	21,017	17,010
Regulatory fees and license	7,214	7,448
Easement	-	22
Employee education and training	12	400
Other personnel services.....	3,512	-
Professional fees.....	-	96
Dues.....	422	160
Travel.....	1,174	163
Utilities	55,285	53,884
Office supplies.....	79	90
Other operating supplies.....	2,227	2,966
Small tools	3,133	3,531
Uniforms.....	4,529	3,878
Automotive parts	13,779	19,643
Gasoline.....	14,746	21,693
Safety.....	1,810	3,357
Drug/alcohol test	13	41
Construction materials.....	-	33,933
Radio systems annual contract	588	588
Insurance	11,877	11,512
Repair and maintenance.....	95,439	84,300

(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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Transmission and Distribution (Continued):		
Fire hydrant – install and maintenance	1,380	1,362
Water line relocation.....	555	-
Water line rehab.....	51,006	-
Costs recovered.....	7,206	6,471
Machinery and equipment.....	5,347	-
Vehicle equipment	816	10,341
Improvement teams.....	314	977
Maintenance contracts	64	29
Total Transmission and Distribution.....	<u>865,959</u>	<u>744,488</u>
Meter Readings and Repairs:		
Wages	103,504	127,174
Standby pay	11,076	11,110
Overtime	20,264	21,503
F.I.C.A.	12,715	12,261
Retirement.....	31,241	55,759
Hospitalization insurance.....	47,548	49,200
Life/Accidental death insurance.....	705	840
Dental insurance	2,916	2,686
Workmen's compensation	4,986	5,619
Retiree insurance.....	4,530	1,734
Other personnel services	-	14,643
Employee education/training	6	-
Professional fees	-	1,410
Drug/Alcohol test.....	187	89
Maintenance contracts	4,624	4,552
Utilities	2,438	2,041
Office supplies	1,291	2,221
Small tools	712	1,442
Contract meter reading.....	2,555	3,860
Uniforms	3,212	846
Automotive parts.....	4,377	4,523
Gasoline	4,053	4,737
Other commodities.....	230	191
Insurance.....	2,886	2,338
Repairs and maintenance	5,448	9,504
Meters and devices.....	348,184	256,233
Other operating supplies	-	18
Computer equipment.....	923	58
Retirement supplement	17,009	-
Travel.....	395	-
Improvement teams.....	6	-
Total Meter Readings and Repairs	<u>638,021</u>	<u>596,592</u>
Maintenance:		
Wages	118,846	107,368
Standby pay	11,170	11,211
Overtime	6,013	5,061

(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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Maintenance (Continued):		
F.I.C.A.	9,872	9,316
Retirement	9,347	15,479
Hospitalization insurance.....	31,680	31,680
Life/Accidental death insurance	598	615
Dental insurance	1,999	1,999
Workmen's compensation	5,554	4,707
Professional fees	-	29
Dues	40	40
Drug/alcohol test.....	-	22
Utilities	953	805
Other personnel service	1,280	1,065
Employee education/training	25	344
Maintenance contract.....	-	57
Contractual services.....	13,851	13,390
Other Operating Supplies.....	56	18
Small tools	186	323
Uniforms.....	1,009	1,123
Automotive parts	2,961	2,766
Improvement teams	-	100
Gasoline	3,162	4,657
Insurance.....	1,508	1,324
Regulatory fees and license	190	296
Repairs and maintenance	16,109	16,034
Travel.....	500	-
Electric/plumbing	35	-
Safety	140	-
Machinery and equipment	16,059	-
Vehicle.....	18	-
Total Maintenance	<u>253,161</u>	<u>229,829</u>
Sewage Collection/Pumping:		
Wages	155,087	157,048
Standby pay	8,977	7,905
Overtime	12,689	11,127
F.I.C.A.	13,942	13,484
Retirement	123,702	65,699
Retirement insurance	6,932	4,941
Life/Accidental death insurance	1,806	1,851
Dental insurance	7,648	7,311
Other personal service	1,578	6,431
Drug/alcohol test.....	8	34
Employee education/training	8	400
Professional service	-	58
Dues	-	120
Regulatory fees and license	74	90
Improvement teams	-	189

(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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Sewage Collection/Pumping (Continued):		
Utilities	19,309	17,862
Maintenance contract.....	-	72
Other operating supplies	1,130	1,323
Small tools	1,588	1,015
Uniforms	2,296	1,823
Auto parts	20,783	15,624
Gas	10,371	17,445
Safety supplies	1,962	1,357
Insurance.....	3,596	3,368
Repair and maintenance.....	9,514	2,478
Costs recovered.....	-	73
Machinery and equipment	251	17
Sewer rehabilitation	8,877	-
Workmen's compensation	6,298	-
Retirement settlement	15,960	-
Hospitalization insurance.....	75,028	-
Easement.....	8,675	-
Total Sewage Collection/Pumping	<u>518,089</u>	<u>339,145</u>
Disposal:		
Sewage treatment expense	1,272,665	1,229,343
City of Maryville	767,740	772,990
Treatment plant improvement.....	-	16,000
Treatment plant capital improvements.....	156,708	-
Total Disposal	<u>2,197,113</u>	<u>2,018,333</u>
Special Projects:		
Lift station replacement	1	150
Overlook Improvements R&D Park	-	80
Regal Drive Station replacement	32,300	3
Utility relocation project.....	23,027	-
Total Special Projects.....	<u>55,328</u>	<u>233</u>
Total Operating and Maintenance	<u>\$ 8,090,148</u>	<u>\$ 7,363,257</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, 2016

SEWER	CAPITAL ASSETS				ALLOWANCE FOR DEPRECIATION			
	Balance 7/01/15	Additions	Deductions	Balance 06/30/16	Balance 7/1/15	Depreciation Taken	Additions (Deductions)	Balance 6/30/16
Land and easements.....	\$ 174,138	\$ -	\$ -	\$ 174,138	\$ -	\$ -	\$ -	\$ -
Buildings:								
Pumping station.....	327,992	-	-	327,992	186,820	-	-	-
Leasehold improvements.....	2,898,015	-	-	2,898,015	1,228,640	-	-	-
Service Center	<u>1,502,128</u>	<u>-</u>	<u>-</u>	<u>1,502,128</u>	<u>239,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Buildings.....	<u>4,728,135</u>	<u>-</u>	<u>-</u>	<u>4,728,135</u>	<u>1,654,888</u>	<u>130,638</u>	<u>-</u>	<u>1,785,526</u>
Improvements Other Than Buildings:								
Sewer lines and mains	<u>18,548,818</u>	<u>622,235</u>	<u>-</u>	<u>19,171,053</u>	<u>5,254,680</u>	<u>485,211</u>	<u>-</u>	<u>5,739,891</u>
Machinery and Equipment:								
Pumping equipment.....	105,094	-	-	105,094	89,483	2,292	-	91,775
Tools and working equipment.....	549,491	1,775	(195,000)	356,266	507,558	12,401	(195,000)	324,959
Automobile and trucks	<u>524,662</u>	<u>-</u>	<u>-</u>	<u>524,662</u>	<u>166,732</u>	<u>39,380</u>	<u>-</u>	<u>206,112</u>
Total Machinery and Equipment	<u>1,179,247</u>	<u>1,775</u>	<u>(195,000)</u>	<u>986,022</u>	<u>763,773</u>	<u>54,073</u>	<u>(195,000)</u>	<u>622,846</u>
Total Sewer	<u>\$ 24,630,338</u>	<u>\$ 624,010</u>	<u>\$ (195,000)</u>	<u>\$ 25,059,348</u>	<u>\$ 7,673,341</u>	<u>\$ 669,922</u>	<u>\$ (195,000)</u>	<u>\$ 8,148,263</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, 2016

<u>WATER</u>	<u>CAPITAL ASSETS</u>				<u>ALLOWANCE FOR DEPRECIATION</u>			
	<u>Balance 7/01/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/16</u>	<u>Balance 7/1/15</u>	<u>Depreciation Taken</u>	<u>Additions (Deductions)</u>	<u>Balance 6/30/16</u>
Land.....	\$ 1,020,097	\$ -	\$ -	\$ 1,020,097	\$ -	\$ -	\$ -	\$ -
Buildings:								
Filter and treatment plant.....	19,219,761	-	-	19,219,761	3,624,843	422,739	-	4,047,582
Improvements Other Than Buildings:								
Water mains.....	12,275,253	326,314	-	12,601,567	3,232,735	276,964	-	3,509,699
Reservoirs	7,897,143	-	-	7,897,143	1,073,774	168,720	-	1,242,494
Lines to reservoirs	139,187	-	-	139,187	118,314	2,785	-	121,099
Water service connections	1,491,334	27,733	-	1,519,067	465,857	28,753	-	494,610
Raw water storage	2,961,770	-	-	2,961,770	1,421,791	59,247	-	1,481,038
Total Improvements Other Than Buildings	24,764,687	354,047	-	25,118,734	6,312,471	536,469	-	6,848,940
Machinery and Equipment:								
Water meters.....	495,051	12,150	-	507,201	388,142	33,306	-	421,448
Fire hydrants	347,500	-	-	347,500	130,663	6,951	-	137,614
Water purification equipment.....	6,175,279	-	-	6,175,279	2,960,647	360,573	-	3,321,220
Pumping equipment.....	7,287,030	-	-	7,287,030	2,750,783	364,381	-	3,115,164
Laboratory equipment.....	181,791	-	-	181,791	147,715	19,299	-	167,014
Tools and working equipment	682,891	5,850	(11,030)	677,711	597,871	39,291	(10,387)	626,775
Automobile and truck	636,698	34,051	(31,137)	639,612	584,432	17,177	(31,137)	570,472
Office furniture and fixtures	412,423	-	-	412,423	247,536	57,772	-	305,308
Total Machinery and Equipment	16,218,663	52,051	(42,167)	16,228,547	7,807,789	898,750	(41,524)	8,665,015
Total Water	\$ 61,223,208	\$ 406,098	\$ (42,167)	\$ 61,587,139	\$ 17,745,103	\$ 1,857,958	\$ (41,524)	\$ 19,561,537
TOTAL WATER AND SEWER	\$ 85,853,546	\$ 1,030,108	\$ (237,167)	\$ 86,646,487	\$ 25,418,444	\$ 2,527,880	\$ (236,524)	\$ 27,709,800

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
ASSETS:		
CAPITAL ASSETS:		
Non-depreciable Capital Assets:		
Land and easements	\$ 336,481	\$ 336,481
Construction in progress	<u>1,775,606</u>	<u>5,376,158</u>
	<u>2,112,087</u>	<u>5,712,639</u>
Depreciable Capital Assets:		
Structures, improvements and equipment	84,982,078	80,424,720
Less: Allowance for depreciation	<u>(34,736,752)</u>	<u>(32,485,433)</u>
	<u>50,245,326</u>	<u>47,939,287</u>
Net Capital Assets	<u>52,357,413</u>	<u>53,651,926</u>
CURRENT ASSETS:		
Cash.....	3,907,489	4,388,970
Cash investments.....	20,105	19,063
Certificate of deposit	1,002,746	-
Accounts receivable - Less provision for doubtful accounts of \$345,390 at June 30, 2016 and \$37,022 at June 30, 2015.....	5,572,660	5,494,924
Accounts receivable - Pole rentals	211,003	152,321
Materials and supplies at average cost	592,095	409,679
Accrued interest receivable	492	-
Prepaid TVA Power Invoice Program.....	<u>3,466,268</u>	<u>3,857,990</u>
Total Current Assets	<u>14,772,858</u>	<u>14,322,947</u>
NON-CURRENT ASSETS:		
Receivables from customers for conservation loans	<u>1,978,696</u>	<u>2,101,803</u>
TOTAL ASSETS	<u>69,108,967</u>	<u>70,076,676</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred State Regulatory Charges	395,799	422,186
Pension deferrals	<u>742,381</u>	<u>415,157</u>
Total Deferred Outflows of Resources	<u>1,138,180</u>	<u>837,343</u>

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
LIABILITIES:		
LONG-TERM LIABILITIES:		
Compensated absences.....	\$ 150,870	\$ 374,728
Revenue bonds payable.....	15,950,000	16,765,000
Deferred credits.....	172,542	141,097
Conservation – TVA	2,097,225	2,207,353
Net pension liability	<u>491,459</u>	<u>314,551</u>
Total Long-Term Liabilities	<u>18,862,096</u>	<u>19,802,729</u>
CURRENT LIABILITIES:		
Accounts payable	10,004,663	11,313,547
Customer deposits	1,880,863	1,654,990
Accrued payroll	164,524	89,856
Accrued rentals	159,041	106,334
Accrued interest	145,314	65,687
Miscellaneous payables.....	4,466	4,359
Compensated absences.....	404,245	418,335
Revenue bonds payable.....	<u>815,000</u>	<u>785,000</u>
Total Current Liabilities	<u>13,578,116</u>	<u>14,438,108</u>
TOTAL LIABILITIES	<u>32,440,212</u>	<u>34,240,837</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>300,627</u>	<u>398,718</u>
NET POSITION:		
Net investment in capital assets	35,592,413	36,140,236
Unrestricted.....	<u>1,913,895</u>	<u>134,228</u>
TOTAL NET POSITION	<u>\$ 37,506,308</u>	<u>\$ 36,274,464</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULES OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE:		
Sale of Electric Energy:		
Residential - Non-farm	\$ 37,370,698	\$ 38,470,039
Small lighting and power sales	5,603,705	6,144,805
Large lighting and power sales	17,199,018	17,091,487
Street and outdoor lighting	1,118,855	1,153,353
Consumer forfeited discounts	406,977	436,879
Rent from electric property	969,062	525,900
Miscellaneous service revenue.....	318,103	250,377
Other electric revenue	<u>73,718</u>	<u>59,468</u>
Total Operating Revenue.....	<u>63,060,136</u>	<u>64,132,308</u>
PURCHASED POWER	<u>48,603,739</u>	<u>51,078,680</u>
OPERATING EXPENSES:		
Distribution expense	1,451,869	1,389,892
Customer accounts expense	1,498,989	1,732,911
Sales expense	80,930	64,242
Administrative and general expense	<u>3,189,199</u>	<u>3,072,117</u>
Total Operating Expenses.....	<u>6,220,987</u>	<u>6,259,162</u>
MAINTENANCE EXPENSE:		
Distribution expense	2,520,507	2,318,078
Administrative and general expense	<u>82,310</u>	<u>28,090</u>
Total Maintenance Expense.....	<u>2,602,817</u>	<u>2,346,168</u>
OTHER OPERATING EXPENSE:		
Depreciation expense	<u>2,723,872</u>	<u>2,463,035</u>
TOTAL PURCHASED POWER AND		
 OPERATING EXPENSES.....	<u>60,151,415</u>	<u>62,147,045</u>
OPERATING INCOME	2,908,721	1,985,263
Interest income on investments	<u>5,745</u>	<u>5,240</u>
Net Operating Income	<u>2,914,466</u>	<u>1,990,503</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
INTEREST EXPENSE:		
Interest on long-term debt	(169,167)	(340,000)
Amortization of long-term debt regulatory expense.....	<u>(26,387)</u>	<u>(26,387)</u>
Total Interest Expense.....	<u>(195,554)</u>	<u>(366,387)</u>
OTHER INCOME (EXPENSE):		
State of TN – unclaimed property returned	1,311	1,469
Gain (loss) on sale of fixed assets	<u>1,116</u>	<u>1,090</u>
Total Other Income	<u>2,427</u>	<u>2,559</u>
NET INCOME BEFORE TRANSFERS	2,721,339	1,626,675
Transfer in lieu of tax	<u>(1,489,495)</u>	<u>(1,328,324)</u>
NET INCOME.....	<u>1,231,844</u>	<u>298,351</u>
NET POSITION – BEGINNING OF YEAR, as previously reported.....	36,274,464	36,522,292
Prior Period Adjustment (Note 8).....	<u>-</u>	<u>(546,179)</u>
NET POSITION – BEGINNING OF YEAR , as Restated	<u>36,274,464</u>	<u>35,976,113</u>
NET POSITION – END OF YEAR	<u><u>\$ 37,506,308</u></u>	<u><u>\$36,274,464</u></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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 63,132,532	\$ 64,563,031
Cash payments to suppliers for goods and services.....	(54,806,151)	(55,808,601)
Cash payments to employees for services	<u>(3,934,728)</u>	<u>(3,763,885)</u>
Net Cash Flows From Operating Activities.....	<u>4,391,653</u>	<u>4,990,545</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Customer deposits received.....	585,035	371,615
Customer deposits refunded	(359,163)	(278,231)
Advances from TVA	543,877	583,114
Repayments of advances	(654,005)	(457,380)
Principal paid on bonds/notes.....	(785,000)	(730,000)
Interest paid on bonds/notes	(169,167)	(340,000)
Deferred credits	31,445	(136,441)
Merchandise, jobbing, and contract work revenue.....	(248,407)	-
Acquisition and construction of capital assets.....	(1,468,257)	(8,807,683)
Removal costs of fixed assets.....	38,898	(51,278)
Acquisition of conservation loans	(744,963)	(591,363)
Other income	2,427	-
Deferred charges	(26,387)	-
Collection on conservation loans	<u>868,071</u>	<u>329,354</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,385,596)</u>	<u>(10,108,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,002,746)	-
Proceeds from maturities of investments	-	3,329,396
Interest and dividends on investments.....	<u>5,745</u>	<u>5,240</u>
Net Cash Flows From Investing Activities.....	<u>(997,001)</u>	<u>3,334,636</u>
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Transfers – In lieu of Tax	<u>(1,489,495)</u>	<u>(1,328,324)</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015**

	<u>2016</u>	<u>2015</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(480,439)	(3,111,436)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,408,033</u>	<u>7,519,469</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,927,594</u>	<u>\$ 4,408,033</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	<u>\$ 2,908,721</u>	<u>\$ 1,985,263</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,723,872	2,463,035
Amortization	26,387	26,387
Changes in assets and liabilities:		
Poles rental	(58,682)	12,904
Accounts receivable	(77,736)	287,908
Prepaid expenses	391,722	(77,779)
Inventory	(182,416)	189,007
Accrued interest receivables	(492)	18,683
Accounts payable	(1,308,884)	(112,863)
Accrued rentals	52,707	-
Accrued interest	79,627	-
Accrued payroll	74,668	9,758
Miscellaneous Payables	107	93,906
Compensated absences	<u>(237,948)</u>	<u>94,336</u>
Total Adjustments	<u>1,482,932</u>	<u>3,005,282</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,391,653</u>	<u>\$ 4,990,545</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

<u>OPERATING EXPENSE</u>	<u>2016</u>	<u>2015</u>
DISTRIBUTION:		
Supervision and engineering	\$ 75,973	\$ 74,472
Station expense	89,256	48,750
Overhead line expense	461,276	486,196
Underground expense	86,310	78,435
Meter expense	204,756	127,304
Miscellaneous	336,530	362,062
Rents	<u>197,768</u>	<u>212,673</u>
Total Distribution Expense	<u>1,451,869</u>	<u>1,389,892</u>
CUSTOMER ACCOUNTS EXPENSE:		
Meter reading expense	157,692	357,641
Customer record and collection expense	1,041,297	851,270
Uncollectible accounts	<u>300,000</u>	<u>524,000</u>
Total Customer Accounts Expense	<u>1,498,989</u>	<u>1,732,911</u>
SALES EXPENSE:		
Demonstrating and selling expense	<u>80,930</u>	<u>64,242</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Administrative and general salaries	496,195	458,415
Office supplies and expense	40,323	45,907
Outside service employed	63,673	68,800
Property insurance	117,952	116,863
Injuries and damages	178,305	183,811
Employee pensions and benefits	2,140,189	2,060,317
Duplicate charges – Credit	(1,775)	(1,795)
Rents - City cost recovery	94,428	84,480
Miscellaneous	<u>59,909</u>	<u>55,319</u>
Total Administrative and General Expense	<u>3,189,199</u>	<u>3,072,117</u>
Total Operating Expense	<u>6,220,987</u>	<u>6,259,162</u>
 <u>MAINTENANCE EXPENSE</u>		
DISTRIBUTION EXPENSE:		
Transmission	172,770	37,983
Supervision and engineering	65,758	75,332
Maintenance of station equipment	83,676	88,368
Maintenance of overhead and underground lines	2,073,687	1,975,690
Maintenance of line transformers	29,079	29,865
Street lighting and signal systems	14,470	34,869
Maintenance of meters/miscellaneous distribution plant	<u>81,067</u>	<u>75,971</u>
Total Distribution Expense	<u>2,520,507</u>	<u>2,318,078</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Maintenance of general plant	<u>82,310</u>	<u>28,090</u>
Total Maintenance Expense	<u>2,602,817</u>	<u>2,346,168</u>
Total Operating and Maintenance Expense	<u>\$ 8,823,804</u>	<u>\$ 8,605,330</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ELECTRIC PLANT IN SERVICE
June 30, 2016

	Balance 7-01-15	Additions	Retirements	Reclassify		Balance 6-30-16
				DR	CR	
TRANSMISSION:						
Station equipment	\$ 15,438,870	\$ 1,721,244	\$ -	\$ -	\$ -	\$ 17,160,114
DISTRIBUTION:						
Land and land rights	6,853	-	-	-	-	6,853
Station equipment	1,969,449	-	-	-	-	1,969,449
Poles, towers and fixtures	11,709,675	684,378	65,519	-	-	12,328,534
Overhead conductors and devices	12,342,801	829,206	18,550	-	-	13,153,457
Underground conduit	676,222	6,252	5	-	-	682,469
Underground conductors and devices	2,872,028	97,010	254	-	-	2,968,784
Line transformers	11,275,595	207,389	61,246	-	-	11,421,738
Services	2,154,635	26,505	211	-	-	2,180,929
Meters	5,096,810	354,270	70,331	-	-	5,380,749
Street lighting and signal systems	3,334,696	38,858	12,601	-	-	3,360,953
Outdoor lighting on customer premises	1,372,474	125,696	1,575	-	-	1,496,595
GENERAL:						
Land and land rights	329,628	-	-	-	-	329,628
Structures and improvements	7,583,663	-	-	-	-	7,583,663
Office furniture and equipment	532,384	-	6,415	-	-	525,969
Transportation equipment	2,730,596	556,553	274,744	-	-	3,012,405
Stores equipment	51,647	-	-	-	-	51,647
Tools, shop and garage equipment	90,229	-	-	-	-	90,229
Laboratory equipment	30,456	-	-	-	-	30,456
Communication equipment	739,684	413,950	-	-	-	1,153,634
Power operated equipment	407,834	7,498	-	-	-	415,332
Miscellaneous equipment	<u>14,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,972</u>
Totals	80,761,201	5,068,809	511,451	-	-	85,318,559
CONSTRUCTION WORK IN PROGRESS	<u>5,376,158</u>	<u>(3,600,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,775,606</u>
Total Electric Plant in Service ...	<u>\$ 86,137,359</u>	<u>\$ 1,468,257</u>	<u>\$ 511,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,094,165</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
ELECTRIC FUND
Alcoa, Tennessee
SCHEDULE OF ACCUMULATED PROVISION FOR DEPRECIATION
June 30, 2016

	Balance 7-01-15	Depreciation Expense	Retirement	Removal Cost and Other	Reclassifv		Balance 6/30/16	Depreciation Rate
					DR	CR		
TRANSMISSION:								
Station equipment.....	\$ 6,988,118	\$ 442,334	\$ -	\$ -	\$ -	\$ -	\$ 7,430,452	4.00%
DISTRIBUTION PLANT:								
Station equipment.....	1,135,683	69,648	-	-	-	-	1,205,331	
Poles, towers, and fixtures.....	4,744,505	498,916	65,519	-	-	-	5,177,902	4.25%
Overhead conductors and devices	2,445,828	404,528	18,550	-	-	-	2,831,806	3.25%
Underground conduit.....	380,710	20,302	5	-	-	-	401,007	3.00%
Underground conductors and devices.....	1,254,535	86,501	253	-	-	-	1,340,783	3.00%
Line transformers	5,038,713	281,056	61,247	-	-	-	5,258,522	2.50%
Services	1,230,918	70,083	212	-	-	-	1,300,789	3.25%
Meters.....	1,873,529	304,847	70,331	-	-	-	2,108,045	6.67%
Street lighting and signal systems	2,102,119	79,223	12,601	-	-	-	2,168,741	12.00%
Outdoor lighting on customer premises.....	<u>812,018</u>	<u>57,839</u>	<u>1,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,282</u>	8.00%
Total Distribution Plant	<u>21,018,558</u>	<u>1,872,943</u>	<u>230,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,661,208</u>	
GENERAL PLANT:								
Structures and improvements	1,435,780	156,928	-	-	-	-	1,592,708	2.00%
Office furniture and equipment	437,309	17,001	6,415	-	-	-	447,895	various
Transportation equipment.....	1,609,724	158,684	274,743	38,898	-	-	1,532,563	various
Tools, shop and garage equipment.....	85,069	1,200	-	-	-	-	86,269	8.00%
Laboratory equipment	30,456	-	-	-	-	-	30,456	5.00%
Communication equipment	583,692	54,993	-	-	-	-	638,685	10.00%
Power operated equipment	288,884	18,792	-	-	-	-	307,676	Various
Miscellaneous equipment	<u>7,843</u>	<u>997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,840</u>	8.00%
Total General Plant.....	<u>4,478,757</u>	<u>408,595</u>	<u>281,158</u>	<u>38,898</u>	<u>-</u>	<u>-</u>	<u>4,645,092</u>	
Totals	<u>\$ 32,485,433</u>	<u>\$ 2,723,872</u>	<u>\$ 511,451</u>	<u>\$ 38,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,736,752</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Current Assets:		
Cash	\$ 500	\$ 500
Cash in bank	1,425,236	1,661,859
Due from Debt Service Fund	202,284	202,284
Accounts receivable.....	<u>508,747</u>	<u>548,033</u>
Total Current Assets	<u>2,136,767</u>	<u>2,412,676</u>
Capital Assets:		
Non-depreciable Capital Assets:		
Land	<u>929,861</u>	<u>673,647</u>
Depreciable Capital Assets:		
Structures, improvements, and equipment.....	13,711,915	13,711,915
Less: Allowance for depreciation	<u>(9,135,295)</u>	<u>(8,375,642)</u>
	<u>4,576,620</u>	<u>5,336,273</u>
Net Capital Assets	<u>5,506,481</u>	<u>6,009,920</u>
Non-Current Assets:		
Cash in banks – Restricted.....	4,254,595	5,548,994
Investments – Certificate of deposit – Restricted	<u>5,000,000</u>	<u>3,206,201</u>
Total Non-Current Assets.....	<u>9,254,595</u>	<u>8,755,195</u>
TOTAL ASSETS	<u>16,897,843</u>	<u>17,177,791</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred state regulatory charges	-	67,234
Pension deferrals.....	207,742	120,600
Accumulated decrease in fair value of hedging derivatives.....	<u>3,936,149</u>	<u>2,774,041</u>
Total Deferred Outflows of Resources.....	<u>4,143,891</u>	<u>2,961,875</u>

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION (Continued)
June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable.....	125,012	64,049
Accrued salaries.....	30,289	23,226
Bonds payable – Due within one (1) year.....	795,000	765,000
Compensated absences	90,769	77,519
Premium on bonds	<u>6,661</u>	<u>-</u>
Total Current Liabilities	<u>1,047,731</u>	<u>929,794</u>
Long-Term Liabilities:		
Bonds payable	3,965,000	4,865,000
Compensated absences	22,692	19,380
Estimated liability for landfill closure and post closure care costs	9,218,798	8,777,906
Derivatives – Interest rate swap.....	3,936,149	2,774,041
Net pension liability.....	<u>137,357</u>	<u>87,536</u>
Total Long-Term Liabilities	<u>17,279,996</u>	<u>16,523,863</u>
TOTAL LIABILITIES.....	<u>18,327,727</u>	<u>17,453,657</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals.....	83,330	110,959
Bond deferral	<u>100,000</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>183,330</u>	<u>110,959</u>
NET POSITION:		
Net investment in capital assets	746,481	379,920
Restricted for property acquisition	1,264,653	1,477,123
Unrestricted	<u>519,543</u>	<u>718,007</u>
TOTAL NET POSITION.....	<u>\$ 2,530,677</u>	<u>\$ 2,575,050</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Fees and permits.....	\$ 3,623,435	\$ 3,531,471
Miscellaneous.....	<u>41</u>	<u>2,086</u>
Total Operating Revenue.....	<u>3,623,476</u>	<u>3,533,557</u>
Operating Expenses:		
Administrative and General	400,472	371,027
Landfill operations	829,781	817,097
Scales and security operations.....	308,564	289,591
Facilities Maintenance.....	809,649	843,113
Vehicle and equipment maintenance.....	212,500	233,565
Solid Waste Authority	118,290	87,297
Environmental compliance.....	135,121	125,244
Closure/Postclosure.....	<u>-</u>	<u>22,780</u>
Total Operating Expenses	<u>2,814,377</u>	<u>2,789,714</u>
Operating Income Before Depreciation	809,099	743,843
Depreciation	<u>(759,653)</u>	<u>(702,856)</u>
Operating Income (Loss) After Depreciation.....	<u>49,446</u>	<u>40,987</u>
Other Income (Expense):		
Other income.....	877	66,856
Amortization	(73,895)	(14,789)
Interest income	8,079	1,479
Interest expense	(192,838)	(109,489)
Grant income.....	153,261	75,718
Service fees	(1,024)	(3,000)
Derivative investment income.....	11,721	-
Other expense.....	<u>-</u>	<u>(134)</u>
Total Other Income (Expense)	<u>(93,819)</u>	<u>16,641</u>
Change In Net Position	<u>(44,373)</u>	<u>57,628</u>
Net Position – Beginning of Year, as previously reported	2,575,050	2,442,339
Adjustment:		
Pension (Note 8).....	-	(151,996)
Investment income from ineffective hedging derivative		
instrument (Note 7)	-	124,136
Interest due from Debt Service (Note 7)	-	102,943
Net Position – Beginning of Year, as restated.....	<u>2,575,050</u>	<u>2,517,422</u>
Net Position – End of Year	<u>\$ 2,530,677</u>	<u>\$ 2,575,050</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received	\$ 3,674,483	\$ 3,429,490
Cash payments to suppliers for goods and services	(1,762,637)	(1,987,679)
Cash payments to employees for services	<u>(913,982)</u>	<u>(820,139)</u>
Net Cash Flows From Operating Activities	<u>997,864</u>	<u>621,672</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Closure/Postclosure payments	<u>440,892</u>	<u>529,544</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid on capital leases/bonds	(192,838)	(109,489)
Payments for landfill plant acquisitions	(256,214)	(413,871)
Principal paid on bonds/notes	(5,265,000)	(745,000)
Service fees	(1,024)	(3,000)
Issuance of debt	4,395,000	-
Grant proceeds	153,261	75,718
Other revenues	46,666	66,856
Other expenses	<u>(73,895)</u>	<u>(14,923)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,194,044)</u>	<u>(1,143,709)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	8,079	1,479
Purchase of investments	(2,375,342)	(522,038)
Proceeds from sale of investments	<u>1,885,928</u>	<u>22,914</u>
Net Cash Flows From Investing Activities	<u>(481,335)</u>	<u>(497,645)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(236,623)	(490,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,661,859</u>	<u>2,151,997</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,425,236</u>	<u>\$ 1,661,859</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss).....	\$ 49,446	\$ 40,987
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	759,653	702,856
Changes in assets and liabilities:		
Accounts receivable	51,007	(4,726)
Accounts payable	60,963	(33,021)
Accrued salaries	7,063	3,859
Accrued compensated absences.....	13,250	(42,432)
Net pension liability	49,821	87,536
Due to other funds	-	(133,387)
Premium on bonds.....	<u>6,661</u>	<u>-</u>
Total Adjustments	<u>948,418</u>	<u>580,685</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 997,864</u>	<u>\$ 621,672</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Administrative and General:		
Wages.....	\$ 131,087	\$ 113,506
Overtime.....	45	40
F.I.C.A.....	9,756	9,785
Retirement.....	19,680	26,357
Retirement settlement.....	21,762	-
Hospitalization insurance	22,381	23,257
Life/Accidental death insurance.....	570	599
Dental insurance.....	1,766	1,842
Workmen's compensation.....	405	503
Retiree insurance	-	147
Drug/alcohol test	514	813
Employee education and training	3,259	1,934
Professional services	1,462	342
Postage	1,247	915
Dues	1,013	1,000
Regulatory fees and license.....	30,290	30,920
Accounting and auditing	4,500	5,000
Advertising.....	128	354
Credit card processing.....	7,364	3,812
Improvement teams.....	797	1,192
Printing.....	2,263	1,826
Maintenance contract	198	401
Utilities.....	100,708	110,530
Other contracted services	4,447	4,772
Office supply	1,495	1,268
Other operating supplies.....	2,088	4,302
Auto parts	507	53
Uniforms	6,925	6,798
Safety	1,326	1,530
Construction materials.....	204	537
Insurance	4,991	4,084
Repairs and maintenance.....	207	1
Cost recovery	11,195	8,201
Equipment lease	357	358
Communication equipment	2,250	2,250
Computer equipment	372	230
Radio system annual contract.....	599	441
Recycling contracts	1,109	446
Travel	1,205	681
Total Administrative and General	<u>400,472</u>	<u>371,027</u>
Landfill Operations:		
Wages.....	290,817	256,476
Overtime.....	9,348	7,737
F.I.C.A.....	21,060	19,857

See accompanying independent auditors' report and notes.

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Landfill Operations (Continued):		
Retirement	89,046	86,186
Hospitalization insurance	86,400	86,400
Life/Accidental death insurance	1,541	1,601
Dental insurance	6,165	6,165
Workmen's compensation	8,472	8,366
Retiree insurance	6,450	5,880
Professional services	-	58
Waste tire recovery	115,484	106,865
Litter fencing	715	152
Gas.....	88,262	123,791
Construction materials	85,834	104,166
Alter daily cover liners	2,042	1,736
Insurance	773	690
Construction materials/supplies	1,065	971
Landfill services	112	-
Other personal services.....	<u>16,195</u>	<u>-</u>
Total Landfill Operations	<u>829,781</u>	<u>817,097</u>
Scales and Security Operations:		
Wages	148,188	147,226
Overtime	7,628	4,986
F.I.C.A.	11,301	11,515
Retirement	39,078	41,952
Hospitalization insurance	54,000	57,600
Life/Accidental death insurance	857	987
Dental insurance	3,951	4,633
Workmen's compensation	263	275
Retiree insurance	3,120	2,880
Other personnel services.....	6,771	6,832
Regulatory fees and license	150	186
Printing	1,145	2,179
Utilities	1,933	2,099
Other contracted services	3,067	2,400
Office supplies.....	2,143	819
Insurance	347	286
Repair and maintenance	5,239	2,409
Maintenance contracts	8,227	-
Computer equipment	<u>11,156</u>	<u>327</u>
Total Scales and Security Operations	<u>308,564</u>	<u>289,591</u>
Facility Maintenance:		
Wages	170,350	164,196
Overtime	5,804	3,839
F.I.C.A.	13,370	12,595
Retirement	8,914	27,252
Hospitalization insurance	56,400	57,600
Life/Accidental death insurance	968	1,033
Dental insurance	4,275	4,633

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Facility Maintenance (Continued):		
Workmen's compensation	13,299	12,477
Retiree insurance	2,940	2,880
Other personnel services	-	18,560
Building materials	-	6
Repair and maintenance	335	-
Professional services	-	48
Utilities	2,196	2,129
Small tools	192	824
Electric and plumbing	-	269
Slope stabilization	2,723	5,561
Insurance	1,383	2,186
Closure and postclosure expense	526,500	526,500
Construction materials – roads	-	525
Total Facilities Maintenance	<u>809,649</u>	<u>843,113</u>
Vehicle and Equipment Maintenance:		
Wages	52,535	43,469
Overtime	36	303
F.I.C.A.	3,615	3,966
Retirement	2,646	7,444
Hospitalization insurance	14,400	13,200
Life/Accidental death insurance	269	245
Dental insurance	1,158	735
Workmen's compensation	1,729	1,422
Retiree insurance	490	1,940
Heavy equipment maintenance	55,471	70,582
Maintenance contract	703	3,948
Utilities	2,746	2,645
Other contracted services	3,960	1,294
Fluids	19,432	24,695
Small tools	2,317	3,318
Auto parts	21,369	25,514
Heavy equipment parts	23,758	15,632
Construction materials	1,257	4,879
Insurance	4,609	4,399
Professional services	-	22
Machinery and equipment	-	3,913
Total Vehicle and Equipment Maintenance	<u>212,500</u>	<u>233,565</u>
Solid Waste Authority:		
Wages	40,117	26,660
F.I.C.A.	3,379	3,247
Retirement	2,241	4,620
Retirement supplement	20,258	-
Hospitalization insurance	7,200	7,200
Life/Accidental death insurance	187	190

(Continued)

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-Type Activities	
	<u>2016</u>	<u>2015</u>
Solid Waste Authority (Continued):		
Dental insurance.....	579	579
Workmen's compensation.....	214	227
Advertising.....	41,242	41,250
Dues	-	100
Travel	649	990
Other contracted services	2,100	2,132
Insurance	<u>124</u>	<u>102</u>
Total Solid Waste Authority.....	<u>118,290</u>	<u>87,297</u>
Environmental Compliance:		
Wages.....	61,438	55,560
F.I.C.A.....	4,242	3,972
Retirement.....	3,083	5,923
Hospitalization insurance	14,400	14,400
Life/Accidental death insurance.....	294	301
Dental insurance.....	1,158	1,158
Workmen's compensation.....	97	102
Employee education and training	107	-
Professional services	41,046	36,024
Insurance	110	104
Dues and memberships.....	267	200
Regulatory fees and license.....	30	-
Legal fees	7,800	7,500
Machinery and equipment	574	-
Computer equipment	<u>476</u>	<u>-</u>
Total Environmental Compliance.....	<u>135,121</u>	<u>125,244</u>
Closure/Postclosure:		
Professional services	-	6,290
Utilities.....	-	10,916
Slope maintenance.....	<u>-</u>	<u>5,574</u>
Total Closure/Postclosure	<u>-</u>	<u>22,780</u>
Total Operating and Maintenance	<u>\$ 2,814,377</u>	<u>\$ 2,789,714</u>

CITY OF ALCOA, TENNESSEE
LANDFILL FUND – ENTERPRISE FUND
SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION
For the Fiscal Year Ended June 30, 2016

	Fixed Assets			
	Balance 7-1-15	Additions	Deductions	Balance 6-30-16
Land	\$ 673,647	\$ 256,214	\$ -	\$ 929,861
Office Buildings and Improvements.....	<u>10,979,123</u>	<u>-</u>	<u>-</u>	<u>10,979,123</u>
Machinery and Equipment:				
Office equipment	25,311	-	-	25,311
Landfill – working equipment.....	1,827,794	-	-	1,827,794
Tools and small equipment.....	561,288	-	-	561,288
Trucks	<u>318,399</u>	<u>-</u>	<u>-</u>	<u>318,399</u>
Total Machinery and Equipment	<u>2,732,792</u>	<u>-</u>	<u>-</u>	<u>2,732,792</u>
Totals	<u>\$ 14,385,562</u>	<u>\$ 256,214</u>	<u>\$ -</u>	<u>\$ 14,641,776</u>

	ALLOWANCE FOR DEPRECIATION				
	Balance 7-1-15	Depreciation Expense	Other Additions (Deductions)	Balance 6-30-16	Depreciation Rates
Land	\$ -	\$ -	\$ -	\$ -	
Office Building and Improvements.....	<u>6,564,527</u>	<u>527,659</u>	<u>-</u>	<u>7,092,186</u>	3 - 7%
Machinery and Equipment:					
Office equipment.....	25,311	-	-	25,311	10 - 20%
Landfill working equipment.....	995,868	215,207	-	1,211,075	17%
Tools and small equipment.....	531,530	6,165	-	537,695	8 - 20%
Trucks	<u>258,406</u>	<u>10,622</u>	<u>-</u>	<u>269,028</u>	20%
Total Machinery and Equipment	<u>1,811,115</u>	<u>231,994</u>	<u>-</u>	<u>2,043,109</u>	
Totals	<u>\$ 8,375,642</u>	<u>\$ 759,653</u>	<u>\$ -</u>	<u>\$ 9,135,295</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, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
Accrued interest and dividends	\$ -	\$ 126,639
Investments in Tennessee Retirement Group Trust.....	23,584,039	-
Cash and cash equivalents	-	1,014,343
U.S. Treasury obligations	-	4,935,281
Domestic corporate and foreign bonds	-	5,416,343
Common equity securities	-	10,589,964
Municipal obligations	-	1,454,306
Total Investments	<u>23,584,039</u>	<u>23,410,237</u>
TOTAL ASSETS	<u>23,584,039</u>	<u>23,536,876</u>
LIABILITIES	-	-
NET POSITION:		
Net position held in trust for pension benefits.....	<u>23,584,039</u>	<u>23,536,876</u>
TOTAL NET POSITION	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</u>

Note: Cash equivalents consist of 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 FUND – FIDUCIARY FUND
SCHEDULE OF CHANGES IN FIDUCIARY PLAN NET POSITION
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Employer contributions.....	\$ 2,406,072	\$ 2,173,944
Interest/Dividend income.....	540,286	654,065
Net appreciation in fair value of investments	327,818	-
Miscellaneous income.....	77,270	-
Net gain on investments sold and matured	<u>-</u>	<u>139,004</u>
Total Additions	<u>3,351,446</u>	<u>2,967,013</u>
Deductions:		
Administrative expenses.....	78,196	73,003
Net depreciation in fair value of investment.....	148,411	99,514
Benefit payments	<u>3,077,676</u>	<u>2,587,026</u>
Total Deductions.....	<u>3,304,283</u>	<u>2,759,543</u>
Change in Net Position	47,163	207,470
Net Position – Beginning of Year.....	<u>23,536,876</u>	<u>23,329,406</u>
Net Position – End of Year.....	<u>\$ 23,584,039</u>	<u>\$ 23,536,876</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, 2016

<u>Program</u>	CAPITAL ASSETS				
	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/16</u>
Construction in Progress	\$ 33,924,401	\$ 519,412	\$ 33,258,652	\$ -	\$ 1,185,161
General Government – Bridges	5,367,656	-	-	-	5,367,656
General Government – Cemetery	4,400	-	-	-	4,400
Fire	3,974,731	222,842	-	-	4,197,573
General Government	4,731,233	59,826	-	-	4,791,059
General Government – Codes	43,671	26,709	-	-	70,380
General Government – Finance	102,702	30,301	-	-	133,003
Police	5,176,478	354,259	-	-	5,530,737
Recreation	7,630,157	80,591	-	-	7,710,748
Sanitation	1,821,772	51,038	53,435	-	1,819,375
Schools	31,614,903	34,135,571	-	-	65,750,474
Service Center	5,457,354	5,850	-	-	5,463,204
Streets	32,094,208	555,532	8,917	-	32,640,823
	<u>98,019,265</u>	<u>35,522,519</u>	<u>62,352</u>	<u>-</u>	<u>133,479,432</u>
Totals.....	<u>\$ 131,943,666</u>	<u>\$ 36,041,931</u>	<u>\$ 33,321,004</u>	<u>\$ -</u>	<u>\$ 134,664,593</u>

<u>Program</u>	ACCUMULATED DEPRECIATION					
	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Balance 6/30/16</u>	<u>Net Book Value</u>
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,185,161
General Government – Bridges	3,065,229	106,859	-	-	3,172,088	2,195,568
General Government – Cemetery	-	-	-	-	-	4,400
Fire	1,837,007	180,907	-	-	2,017,914	2,179,659
General Government	1,882,062	107,119	-	-	1,989,181	2,801,878
General Government – Codes	29,696	9,429	-	-	39,125	31,255
General Government – Finance	94,941	15,029	-	-	109,970	23,033
Police	2,555,062	240,917	-	-	2,795,979	2,734,758
Recreation	2,676,105	252,568	-	-	2,928,673	4,782,075
Sanitation	1,250,261	86,023	53,435	-	1,282,849	536,526
Schools	13,321,953	1,802,321	-	-	15,124,274	50,626,200
Service center	1,010,188	142,133	-	-	1,152,321	4,310,883
Streets	15,945,286	1,045,116	8,917	-	16,981,485	15,659,338
	<u>43,667,790</u>	<u>3,988,421</u>	<u>62,352</u>	<u>-</u>	<u>47,593,859</u>	<u>85,885,573</u>
Totals.....	<u>\$ 43,667,790</u>	<u>\$ 3,988,421</u>	<u>\$ 62,352</u>	<u>\$ -</u>	<u>\$ 47,593,859</u>	<u>\$ 87,070,734</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, 2016

	<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	-	-	-	-	-	1,185,161	1,185,161
Service Center	-	5,057,120	-	114,919	291,165	-	5,463,204
Fire	146,731	1,631,122	-	90,000	2,329,720	-	4,197,573
General Government	994,496	2,893,207	-	690,052	271,231	-	4,848,986
General Government – Codes	-	-	-	-	70,380	-	70,380
General Government – Finance.....	-	-	-	-	133,003	-	133,003
Police.....	-	3,394,528	-	-	2,136,209	-	5,530,737
Recreation	567,105	1,132,794	5,395,859	535,903	79,087	-	7,710,748
Sanitation	-	-	-	-	1,819,375	-	1,819,375
Schools	286,717	49,650,995	-	14,210,155	1,602,607	-	65,750,474
Streets.....	-	51,223	31,793,334	-	738,339	-	32,582,896
Total Capital Assets	1,999,449	63,810,989	42,556,849	15,641,029	9,471,116	1,185,161	134,665,593
Accumulated Depreciation.....	-	(12,820,213)	(21,387,416)	(6,790,562)	(6,595,668)	-	(47,593,859)
Net Capital Assets	<u>\$ 1,999,449</u>	<u>\$50,990,776</u>	<u>\$21,169,433</u>	<u>\$ 8,850,467</u>	<u>\$ 2,875,448</u>	<u>\$ 1,185,161</u>	<u>\$87,070,734</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
MISCELLANEOUS SCHEDULES
June 30, 2016

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS – ALL FUNDS
For the Fiscal Year Ended June 30, 2016

TRANSFERS TO:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>City OPEB Fund</u>	<u>Equipment Replacement Fund</u>	<u>Internal Service Fund - Schools OPEB Insurance Fund</u>	<u>Total</u>
TRANSFERS FROM:						
Education Fund	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000
General Fund	-	3,900,000	65,000	-	68,500	4,033,500
Water Utility	-	2,371,082	-	-	-	2,371,082
Electric Utility	-	1,240,029	-	-	-	1,240,029
Landfill	-	983,862	-	-	-	983,862
GO Public Works	-	-	-	1,200,000	-	1,200,000
Totals	<u>\$ 55,000</u> (4)	<u>\$ 8,494,973</u> (2)	<u>\$ 65,000</u> (1)	<u>\$ 1,200,000</u> (3)	<u>\$ 68,500</u> (1)	<u>\$ 9,883,473</u>

- (1) To provide monies for annual OPEB liability.
- (2) To provide monies for debt retirement.
- (3) To provide monies for capital outlay
- (4) To provide monies for in-lieu of tax

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, 2016

	Balance July 1, <u>2015</u>	Levy/ Pick-up/ (Releases)	Write- offs	<u>Collections</u>	Balance June 30, <u>2016</u>
Estimated Levy –					
January 2016	\$ -	\$ 10,014,628	\$ -	\$ -	\$ 10,014,628
Current Year – 2015	9,681,393	-	-	(9,080,958)	600,435
Prior Years:					
2014	516,355	-	-	(455,225)	61,130
2013	107,832	-	-	(83,738)	24,094
2012	53,852	-	-	(28,505)	25,347
2011	52,926	-	-	(28,439)	24,487
2010	6,405	-	-	(1,107)	5,298
2009	17,391	-	-	(890)	16,501
2008	20,198	-	-	(889)	19,309
2007	12,503	-	-	(394)	12,109
2006	8,031	-	-	-	8,031
2005	<u>16,002</u>	<u>-</u>	<u>(16,002)</u>	<u>-</u>	<u>-</u>
Total Taxes Receivable	10,492,888	10,014,628	(16,002)	(9,680,145)	10,811,369
Less: Allowance for					
Estimated					
Uncollectible					
accounts	<u>(42,890)</u>	<u>-</u>	<u>(1,585)</u>	<u>-</u>	<u>(44,475)</u>
Net Taxes Receivable	<u>\$ 10,449,998</u>	<u>\$ 10,014,628</u>	<u>\$ (17,587)</u>	<u>\$ (9,680,145)</u>	<u>\$ 10,766,894</u>

See accompanying independent auditors' report and notes.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – ELECTRIC UTILITY
June 30, 2016

<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	(16)78389459	6-30-16	6-30-17	\$ 39,232	<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	6-30-16	6-30-17	3,650	<u>CRIME</u> Theft and embezzlement – \$500,000 each loss Deductible – \$5,000
Distributors Self Insurance Fund	WC-014-2016	6-30-16	6-30-17	81,268	<u>WORKMEN'S COMPENSATION</u> Legal – Statutory requirements \$1,000,000 Employer's Liability Limit
Affiliated FM Insurance Company	GM-702	6-30-16	6-30-17	51,402	<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	5811055128	6-30-16	6-30-17	34,020	<u>COMMERCIAL UMBRELLA</u> Commercial catastrophe liability – \$5,000,000
Distributors Insurance Company	CL-G048-2016	6-30-16	6-30-17	50,586	<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	6-30-16	6-30-17	13,545	<u>EXCESS GENERAL LIABILITY</u> Each occurrence – \$750,000 Aggregate – \$2,250,000
Public Officials Liability Coverage	TML-0247-17	7-28-16	7-28-17	23,906	<u>DIRECTORS AND OFFICERS</u> Liability – \$1,000,000 per occurrence Deductible – \$5,000
The Hartford Steam Boiler Inspection and Ins. Co.	FBP9450255	6-30-16	6-30-17	53,425	<u>BOILER & MACHINERY</u> Insurance Limits – \$3,000,000
Illinois Union Insurance	PPLG24878685008	6-30-16	6-30-17	2,635	<u>POLLUTION LIABILITY</u> Liability - \$750,000
Illinois Union Insurance	USTG27271935004	6-30-16	6-30-17	3,165	Storage tanks - \$1,000,000

SCHEDULE OF INSURANCE ON REAL PERSONAL PROPERTY:

	<u>Replacement Cost</u>	<u>90% Coverage</u>
Buildings.....	\$ 9,880,803	\$ 8,892,723
Personal property	<u>25,927,466</u>	<u>23,334,719</u>
Total	<u>\$ 35,808,269</u>	<u>\$ 32,227,442</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – GENERAL/ WATER AND SEWER UTILITY
June 30, 2016

<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 0247-16	7-28-15	7-28-16	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	\$ 82,956
				Covers all operations of the City and all officials and employees		
				AUTOMOBILE LIABILITY & PHYSICAL DAMAGE		\$ 67,364
				Deductible: Comprehensive - \$2,500 Collision - \$2,500 Liability - \$1,000		
				PUBLIC OFFICIALS' PERSONAL ERRORS AND OMISSIONS LIABILITY	\$1,000,000 per occurrence	\$ 72,680
				Deductible: \$5,000		
TML Risk Management Pool	TWC-0251-16	7-28-15	7-28-16	WORKER'S COMPENSATION	\$300,000 – each accident \$700,000 – policy limit \$300,000 – each employee	\$ 332,712
				State requirements employer's Liability		
				PROPERTY DAMAGE -	\$1,810,794 – limit per occurrence	\$ 2,329
				Caterpillar compactor, scraper, bulldozer, tractor, and backhoes.		
TML Risk Management Pool	TMP-5296-17	1-20-16	1-20-17	CRIME COVERAGE	\$150,000 per occurrence	
				PROPERTY COVERAGE	\$86,061,161 limit per occurrence	\$ 91,848
				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		
TML Risk Management Pool	TMP-5296-17	1-20-16	1-20-17	ELECTRONIC DATA PROCESSING -	\$650,000 limit per occurrence	\$ 1,042
				Equipment coverage		

SCHEDULE OF INSURANCE ON REAL AND PERSONAL PROPERTY:

	<u>General</u>	Blount County <u>Landfill</u>	<u>Water</u>	<u>Electric</u>	<u>Total</u>
Building and Contents	<u>\$ 23,458,962</u>	<u>\$ 648,554</u>	<u>\$ 53,345,688</u>	<u>\$ 10,680,803</u>	<u>\$ 83,134,007</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE – SCHOOLS
June 30, 2016

<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	07/28/15-07/28/16	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	\$ 3,580
			Errors & Omissions Liability Deductible - \$5,000	\$1,000,000	\$ 22,487
			Comprehensive Auto Liability Deductible: Comprehensive - \$250 Collision - \$500		\$ 2,771
				\$ 300,000	\$ 89,716
TML Risk Management Pool	TWC 0581-16	07/28/15-07/28/16	Worker's Compensation		
TML Risk Management Pool	TMP 0317-16	01/20/16-01/20/17	Physical damage to real and personal property Values - \$48,426,816		\$ 67,116
			Copiers and small office equipment and blanket data processing equipment values - \$1,227,000		\$ 1,701
			Mobile equipment Values - \$150,000		\$ 207

* 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, 2016

Fiscal Year Ending June 30,	Total Bond Principal/ Interest Requirements	Bond Total		General Obligation Bonds Series 2012	
		Bond	Interest	Bond	Interest
2017	\$ 11,067,830	\$ 5,465,500	\$ 5,602,330	\$ 50,000	\$ 274,106
2018	11,321,809	5,921,032	5,400,777	50,000	272,106
2019	11,322,672	6,141,768	5,180,904	50,000	270,106
2020	10,908,967	5,957,708	4,951,259	50,000	268,106
2021	<u>10,922,219</u>	<u>6,203,840</u>	<u>4,718,379</u>	<u>50,000</u>	<u>266,106</u>
Subtotal	<u>55,543,497</u>	<u>29,689,848</u>	<u>25,853,649</u>	<u>250,000</u>	<u>1,350,530</u>
2022	11,350,330	6,585,188	4,765,142	50,000	264,106
2023	9,704,842	5,206,752	4,498,090	250,000	263,106
2024	9,706,927	5,413,556	4,293,371	275,000	258,106
2025	9,658,207	5,580,576	4,077,631	275,000	252,606
2026	<u>9,647,778</u>	<u>5,797,848</u>	<u>3,849,930</u>	<u>300,000</u>	<u>247,106</u>
Subtotal	<u>50,068,084</u>	<u>28,583,920</u>	<u>21,484,164</u>	<u>1,150,000</u>	<u>1,285,030</u>
2027	9,052,466	5,440,372	3,612,094	325,000	241,106
2028	9,000,936	5,618,160	3,382,776	325,000	234,281
2029	9,119,821	5,976,212	3,143,609	350,000	226,969
2030	9,177,359	6,294,540	2,882,819	350,000	218,744
2031	<u>8,180,021</u>	<u>5,573,156</u>	<u>2,606,865</u>	<u>375,000</u>	<u>210,344</u>
Subtotal	<u>44,530,603</u>	<u>28,902,440</u>	<u>15,628,163</u>	<u>1,725,000</u>	<u>1,131,444</u>
2032	7,090,908	4,717,072	2,373,836	400,000	201,156
2033	6,869,177	4,682,265	2,186,912	425,000	191,156
2034	6,912,993	4,918,156	1,994,837	425,000	177,875
2035	6,854,870	5,065,000	1,789,870	450,000	164,594
2036	<u>6,907,432</u>	<u>5,330,000</u>	<u>1,577,432</u>	<u>450,000</u>	<u>150,531</u>
Subtotal	<u>34,635,380</u>	<u>24,712,493</u>	<u>9,922,887</u>	<u>2,150,000</u>	<u>885,312</u>
2037	5,566,070	4,215,000	1,351,070	500,000	136,469
2038	5,531,620	4,360,000	1,171,620	525,000	120,844
2039	5,542,301	4,555,000	987,301	575,000	104,438
2040	5,601,081	4,810,000	791,081	575,000	85,031
2041	<u>5,573,075</u>	<u>4,990,000</u>	<u>583,075</u>	<u>600,000</u>	<u>65,625</u>
Subtotal	<u>27,814,147</u>	<u>22,930,000</u>	<u>4,884,147</u>	<u>2,775,000</u>	<u>512,407</u>
2042	5,622,026	5,250,000	372,026	625,000	44,626
2043	2,755,750	2,605,000	150,750	650,000	22,751
2044	567,800	525,000	42,800	-	-
2045	<u>566,800</u>	<u>545,000</u>	<u>21,800</u>	<u>-</u>	<u>-</u>
Subtotal	<u>9,512,376</u>	<u>8,925,000</u>	<u>587,376</u>	<u>1,275,000</u>	<u>67,377</u>
TOTALS	<u>\$ 224,104,087</u>	<u>\$ 143,743,701</u>	<u>\$ 78,360,386</u>	<u>\$ 9,325,000</u>	<u>\$ 5,232,100</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
June 30, 2016

Fiscal Year Ending June 30,	Water and Sewer General Obligation Bonds Series 2008		Local Government Public Improvement Bonds Series B-17-A		General Obligation Bonds Series E-5-B	
	Bonds	Interest	Bonds	Interest	Bonds	Interest
2017	\$ 150,000	\$ 12,000	\$ 135,000	\$ 11,000	\$ 2,900,000	\$ 3,499,250
2018	150,000	6,000	140,000	5,600	3,070,000	3,354,250
2019	-	-	-	-	3,290,000	3,200,750
2020	-	-	-	-	3,550,000	3,036,250
2021	-	-	-	-	3,735,000	2,858,750
Subtotal	<u>300,000</u>	<u>18,000</u>	<u>275,000</u>	<u>16,600</u>	<u>16,545,000</u>	<u>15,949,250</u>
2022	-	-	-	-	3,925,000	2,672,000
2023	-	-	-	-	2,605,000	2,476,000
2024	-	-	-	-	2,695,000	2,347,250
2025	-	-	-	-	2,775,000	2,212,500
2026	-	-	-	-	2,885,000	2,073,750
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,885,000</u>	<u>11,781,500</u>
2027	-	-	-	-	3,245,000	1,929,500
2028	-	-	-	-	3,360,000	1,767,250
2029	-	-	-	-	3,835,000	1,599,250
2030	-	-	-	-	4,060,000	1,412,064
2031	-	-	-	-	2,920,000	1,214,000
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,420,000</u>	<u>7,922,064</u>
2032	-	-	-	-	1,940,000	1,070,500
2033	-	-	-	-	2,000,000	976,000
2034	-	-	-	-	2,160,000	878,500
2035	-	-	-	-	2,255,000	774,000
2036	-	-	-	-	2,300,000	665,000
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,655,000</u>	<u>4,364,000</u>
2037	-	-	-	-	1,905,000	553,750
2038	-	-	-	-	1,910,000	462,250
2039	-	-	-	-	2,020,000	370,500
2040	-	-	-	-	2,090,000	273,250
2041	-	-	-	-	1,710,000	172,500
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,635,000</u>	<u>1,832,250</u>
2042	-	-	-	-	1,740,000	87,000
2043	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,740,000</u>	<u>87,000</u>
TOTALS	<u>\$ 300,000</u>	<u>\$ 18,000</u>	<u>\$ 275,000</u>	<u>\$ 16,600</u>	<u>\$ 70,880,000</u>	<u>\$ 41,936,064</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2016

Fiscal Year Ending June 30,	The Industrial Board of Blount County, TN		2011 State Revolving Fund Project		General Obligation Bonds	
	Series 2009				Series 2013A	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2017	\$ -	\$ -	\$ 160,500	\$ 113,064	\$ 25,000	\$ 425,250
2018	-	-	166,032	107,532	25,000	424,750
2019	-	-	171,768	101,796	25,000	424,250
2020	-	-	177,708	95,856	25,000	423,563
2021	-	-	183,840	89,724	25,000	422,875
Subtotal	-	-	859,848	507,972	125,000	2,120,688
2022	310,000	292,500	190,188	83,376	25,000	422,188
2023	325,000	278,550	196,752	76,812	275,000	421,500
2024	340,000	263,925	203,556	70,008	300,000	413,250
2025	360,000	248,625	210,576	62,988	300,000	404,250
2026	375,000	232,425	217,848	55,716	325,000	394,500
Subtotal	1,710,000	1,316,025	1,018,920	348,900	1,225,000	2,055,688
2027	390,000	215,550	225,372	48,192	325,000	383,938
2028	410,000	198,000	233,160	40,404	350,000	372,563
2029	425,000	179,550	241,212	32,352	400,000	359,438
2030	445,000	160,425	249,540	24,024	400,000	343,438
2031	470,000	140,400	258,156	15,408	425,000	327,438
Subtotal	2,140,000	893,925	1,207,440	160,380	1,900,000	1,786,815
2032	485,000	119,250	267,072	6,492	450,000	310,438
2033	510,000	97,425	22,265	532	450,000	292,438
2034	535,000	74,475	23,156	-	475,000	274,438
2035	555,000	50,400	-	-	500,000	254,250
2036	565,000	25,425	-	-	500,000	233,000
Subtotal	2,650,000	366,975	312,493	7,024	2,375,000	1,364,564
2037	-	-	-	-	575,000	210,500
2038	-	-	-	-	575,000	184,625
2039	-	-	-	-	575,000	158,750
2040	-	-	-	-	600,000	130,000
2041	-	-	-	-	625,000	100,000
Subtotal	-	-	-	-	2,950,000	783,875
2042	-	-	-	-	675,000	68,750
2043	-	-	-	-	700,000	35,000
Subtotal	-	-	-	-	1,375,000	103,750
TOTALS	\$ 6,500,000	\$ 2,576,925	\$ 3,398,701	\$ 1,024,276	\$ 9,950,000	\$ 8,215,380

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2016

Fiscal Year Ending June 30,	General Obligation Bonds Series 2013B		General Obligation Bonds Series 2014	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2017	\$ 400,000	\$ 32,000	\$ 75,000	\$ 351,750
2018	400,000	24,000	75,000	351,000
2019	400,000	12,000	75,000	350,250
2020	-	-	75,000	348,750
2021	-	-	<u>75,000</u>	<u>347,250</u>
Subtotal	<u>1,200,000</u>	<u>68,000</u>	<u>375,000</u>	<u>1,749,000</u>
2022	-	-	100,000	345,750
2023	-	-	250,000	343,750
2024	-	-	250,000	337,500
2025	-	-	275,000	331,250
2026	-	-	<u>275,000</u>	<u>323,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,150,000</u>	<u>1,681,250</u>
2027	-	-	300,000	314,750
2028	-	-	300,000	305,000
2029	-	-	300,000	295,250
2030	-	-	350,000	285,500
2031	-	-	<u>350,000</u>	<u>273,250</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,600,000</u>	<u>1,473,750</u>
2032	-	-	350,000	261,000
2033	-	-	400,000	248,750
2034	-	-	425,000	234,750
2035	-	-	425,000	219,875
2036	-	-	<u>475,000</u>	<u>205,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,075,000</u>	<u>1,169,375</u>
2037	-	-	575,000	186,000
2038	-	-	575,000	163,000
2039	-	-	600,000	140,000
2040	-	-	700,000	116,000
2041	-	-	<u>700,000</u>	<u>88,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>3,150,000</u>	<u>693,000</u>
2042	-	-	750,000	60,000
2043	-	-	<u>750,000</u>	<u>30,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>90,000</u>
TOTALS	<u>\$ 1,200,000</u>	<u>\$ 68,000</u>	<u>\$ 9,850,000</u>	<u>\$ 6,856,375</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2016

Fiscal Year Ending June 30,	General Obligation Bonds Series 2014 (Taxable)		General Obligation Bonds Series 2015	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2017	\$ 825,000	\$ 215,808	\$ -	\$ 323,145
2018	830,000	206,732	245,000	323,145
2019	835,000	193,245	250,000	318,245
2020	865,000	176,127	255,000	313,245
2021	<u>885,000</u>	<u>155,367</u>	<u>260,000</u>	<u>308,145</u>
Subtotal	<u>4,240,000</u>	<u>947,279</u>	<u>1,010,000</u>	<u>1,585,925</u>
2022	715,000	131,915	265,000	302,945
2023	745,000	110,465	270,000	297,645
2024	780,000	86,625	275,000	292,245
2025	805,000	60,105	280,000	286,745
2026	<u>830,000</u>	<u>31,126</u>	<u>290,000</u>	<u>279,745</u>
Subtotal	<u>3,875,000</u>	<u>420,236</u>	<u>1,380,000</u>	<u>1,459,325</u>
2027	-	-	295,000	272,495
2028	-	-	305,000	265,415
2029	-	-	310,000	257,637
2030	-	-	320,000	248,337
2031	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>238,738</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,560,000</u>	<u>1,282,622</u>
2032	-	-	340,000	228,838
2033	-	-	350,000	217,787
2034	-	-	360,000	206,412
2035	-	-	375,000	193,813
2036	<u>-</u>	<u>-</u>	<u>390,000</u>	<u>180,688</u>
Subtotal	<u>-</u>	<u>-</u>	<u>1,815,000</u>	<u>1,027,538</u>
2037	-	-	400,000	166,063
2038	-	-	420,000	151,063
2039	-	-	435,000	135,313
2040	-	-	450,000	119,000
2041	<u>-</u>	<u>-</u>	<u>465,000</u>	<u>101,000</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,170,000</u>	<u>672,439</u>
2042	-	-	485,000	82,400
2043	-	-	505,000	63,000
2044	-	-	525,000	42,800
2045	<u>-</u>	<u>-</u>	<u>545,000</u>	<u>21,800</u>
Subtotal	<u>-</u>	<u>-</u>	<u>2,060,000</u>	<u>210,000</u>
TOTALS	<u>\$ 8,115,000</u>	<u>\$ 1,367,515</u>	<u>\$ 9,995,000</u>	<u>\$ 6,237,849</u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF BOND AND CAPITAL OUTLAY NOTE -
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR (Continued)
June 30, 2016

Fiscal Year Ending June 30,	General Obligation Bonds Series 2016A		General Obligation Bonds Series 2016B	
	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
2017	\$ 70,000	\$ 252,662	\$ 675,000	\$ 92,295
2018	70,000	251,262	700,000	74,400
2019	315,000	249,862	730,000	60,400
2020	215,000	243,562	745,000	45,800
2021	<u>220,000</u>	<u>239,262</u>	<u>770,000</u>	<u>30,900</u>
Subtotal	<u>890,000</u>	<u>1,236,610</u>	<u>3,620,000</u>	<u>303,795</u>
2022	230,000	234,862	775,000	15,500
2023	290,000	230,262	-	-
2024	295,000	224,462	-	-
2025	300,000	218,562	-	-
2026	<u>300,000</u>	<u>212,562</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,415,000</u>	<u>1,120,710</u>	<u>775,000</u>	<u>15,500</u>
2027	335,000	206,563	-	-
2028	335,000	199,863	-	-
2029	115,000	193,163	-	-
2030	120,000	190,288	-	-
2031	<u>445,000</u>	<u>187,288</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,350,000</u>	<u>977,165</u>	<u>-</u>	<u>-</u>
2032	485,000	176,163	-	-
2033	525,000	162,825	-	-
2034	515,000	148,388	-	-
2035	505,000	132,938	-	-
2036	<u>650,000</u>	<u>117,788</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,680,000</u>	<u>738,102</u>	<u>-</u>	<u>-</u>
2037	260,000	98,288	-	-
2038	355,000	89,838	-	-
2039	350,000	78,300	-	-
2040	395,000	67,800	-	-
2041	<u>890,000</u>	<u>55,950</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,250,000</u>	<u>390,176</u>	<u>-</u>	<u>-</u>
2042	975,000	29,250	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>975,000</u>	<u>29,250</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 9,560,000</u>	<u>\$ 4,492,013</u>	<u>\$ 4,395,000</u>	<u>\$ 319,295</u>

**CITY OF ALCOA, TENNESSEE
ELECTRIC UTILITY
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2016**

The basic utility rates in force as of June 30, 2016, are as follows:

Base Residential Rate – Schedule RS

Customer Charge:	\$14.25 per month
Energy Charge:	9.382 cents per kWh per month

Base General Power Rate – Schedule GSA

Part 1

Customer Charge:	\$21.54 per delivery point per month
Energy Charge:	10.493 cents per kWh per month

Part 2

Customer Charge:	\$96.00 per delivery point per month
Demand Charge:	First 50 kWh of billing demand per month, no demand charge \$13.55/kw for 51 – 1,000 kWh
Energy Charge:	First 15,000 kWh per month at 10.235 cents per kWh Additional kWh per month at 6.170 cents per kWh

Part 3

Customer Charge:	\$235.00 per delivery point per month
Demand Charge:	First 1,000 kW of billing demand per month at \$12.95 per kWh Excess over 1,000 kW of billing demand per month at \$13.78 per KWh, plus an additional \$15.41 per month for each kW, if any, of the amount by which the customer's billing demand Exceeds the higher of 1,000 kW or its contract demand
Energy Charge:	6.159 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, 2016**

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, 2016</u>	<u>June 30, 2015</u>
Residential.....	25,154	23,975
General Power – under 50 kW	3,091	4,103
General Power – 50 kW and over	349	337
Street and athletics	40	40
Outdoor lighting – code 78.....	<u>94</u>	<u>94</u>
	<u>\$ 28,728</u>	<u>\$ 28,549</u>

**CITY OF ALCOA, TENNESSEE
WATER AND SEWER UTILITY
SCHEDULE OF UTILITY RATES IN FORCE
For the Fiscal Year Ended June 30, 2016**

The basic utility rates in force as of June 30, 2016 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:

	One Monthly Billing	Inside City Total Charges/Mo.	Meter Size	Outside City Total Charges/Mo.
First	2,000 Gallons	\$ 13.40 per mo.	5/8" to 1"	\$ 20.10 per mo.
		\$ 40.40 per mo.	1-1/2 to 3"	59.90 per mo.
		\$295.75 per mo.	4" to 6"	438.65 per mo.
		\$806.65 per mo.	Greater than 6"	1,196.35 per mo.
	One Monthly <u>Billing</u>	Inside City Price Per <u>1,000 Gals.</u>		Outside City Price Per <u>1,000 Gals.</u>
Over	2,000 Gallons	\$ 3.35	All sizes	5.10

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, 2016**

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 \$10.85 per month. In addition to the base charge there shall be a charge of \$4.55 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 \$18.50 per month. In addition to the base charge there shall be a charge of \$7.75 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 \$19.85 per month. In addition to the base charge there shall be a charge of \$4.55 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 \$33.80 per month. In addition to the charge there shall be a charge of \$7.75 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 \$19.85 per month. In addition to the base charge there shall be a charge of \$4.55 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 \$33.80 per month. In addition to the base charge there shall be a charge of \$7.75 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, 2016**

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, 2016**

CUSTOMERS


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

	Water		Sewer	
	June 30, <u>2016</u>	June 30, <u>2015</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
Residential – inside city	3,489	3,287	3,140	2,973
Residential – outside city	5,121	4,989	2,166	2,093
Commercial – inside city	923	1,086	722	853
Commercial – outside city	426	551	192	266
Industrial – inside city	2	10	2	4
Industrial – outside city	<u>3</u>	<u>3</u>	<u>1</u>	<u>1</u>
Totals.....	<u><u>9,964</u></u>	<u><u>9,926</u></u>	<u><u>6,223</u></u>	<u><u>6,190</u></u>

CITY OF ALCOA, TENNESSEE
JUNE 30, 2016

AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved.
<div style="display: flex; justify-content: space-between; align-items: center;"><div>? Click to access definition + Click to add a comment</div><div>Water Audit Report for: <u>City of Alcoa (0000007)</u> Reporting Year: <u>2016</u> <u>7/2015 - 6/2016</u></div></div>		
<small>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</small>		
All volumes to be entered as: MILLION GALLONS (US) PER YEAR		
<small>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.</small>		
WATER SUPPLIED		Master Meter and Supply Error Adjustments
<div style="display: flex; justify-content: space-between;"><div><small>Enter grading in column 'E' and 'J' -----></small></div><div><small>Pcnt: Value:</small></div></div>		
Volume from own sources: + ? 9 2,221.712 MG/Yr		+ ? 8 0.55% 0 MG/Yr
Water imported: + ? n/a 0.000 MG/Yr		+ ? 8 0 0 MG/Yr
Water exported: + ? 9 408.898 MG/Yr		+ ? 3 -4.50% 0 MG/Yr
WATER SUPPLIED: 1,781.606 MG/Yr		<small>Enter negative % or value for under-registration Enter positive % or value for over-registration</small>
AUTHORIZED CONSUMPTION		
Billed metered: + ? 10 1,391.964 MG/Yr		<small>Click here: ? for help using option buttons below</small>
Billed unmetered: + ? n/a 0.000 MG/Yr		<small>Pcnt: Value:</small>
Unbilled metered: + ? n/a 0.000 MG/Yr		1.25% 6.700 MG/Yr
Unbilled unmetered: + ? 8 6.700 MG/Yr		<small>Use buttons to select percentage of water supplied OR value</small>
AUTHORIZED CONSUMPTION: 1,398.664 MG/Yr		
WATER LOSSES (Water Supplied - Authorized Consumption) 382.942 MG/Yr		
Apparent Losses		
Unauthorized consumption: + ? 8 1.780 MG/Yr		<small>Pcnt: Value:</small>
Customer metering inaccuracies: + ? 10 7.902 MG/Yr		0.25% 1.780 MG/Yr
Systematic data handling errors: + ? 6 3.480 MG/Yr		1.00% 7.902 MG/Yr
<small>Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed</small>		0.25% 6.478 MG/Yr
Apparent Losses: 13.162 MG/Yr		
Real Losses (Current Annual Real Losses or CARL)		
Real Losses = Water Losses - Apparent Losses: 369.780 MG/Yr		
WATER LOSSES: 382.942 MG/Yr		
NON-REVENUE WATER		
NON-REVENUE WATER: 389.642 MG/Yr		
<small>= Water Losses + Unbilled Metered + Unbilled Unmetered</small>		
SYSTEM DATA		
Length of mains: + ? 9 254.3 miles		
Number of active AND inactive service connections: + ? 7 10,033		
Service connection density: ? 38 conn./mile main		
Are customer meters typically located at the curbstop or property line? Yes		
Average length of customer service line: + ? 9 0 ft		<small>(length of service line, beyond the property boundary, that is the responsibility of the utility)</small>
Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure: + ? 8 80.0 psi		
COST DATA		
Total annual cost of operating water system: + ? 10 \$8,643,428 \$/Year		
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$3.36 \$/1000 gallons (US)		
Variable production cost (applied to Real Losses): + ? 7 \$726.00 \$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses		
WATER AUDIT DATA VALIDITY SCORE:		
*** YOUR SCORE IS: 87 out of 100 ***		
<small>A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</small>		
PRIORITY AREAS FOR ATTENTION:		
<small>Based on the information provided, audit accuracy can be improved by addressing the following components:</small>		
1: Volume from own sources		
2: Systematic data handling errors		
3: Variable production cost (applied to Real Losses)		

CITY OF ALCOA, TENNESSEE
JUNE 30, 2016



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

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

Water Audit Report for: City of Alcoa (0000007)

Reporting Year: 2016 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

Apparent Losses:	13.162	MG/Yr	
+ Real Losses:	369.780	MG/Yr	
= Water Losses:	382.942	MG/Yr	

? Unavoidable Annual Real Losses (UARL): 84.12 MG/Yr

Annual cost of Apparent Losses: \$44,092

Annual cost of Real Losses: \$268,462 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:	21.9%	
		Non-revenue water as percent by cost of operating system:	3.7%	

Operational Efficiency:	{	Apparent Losses per service connection per day:	3.59	gallons/connection/day
		Real Losses per service connection per day:	100.98	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	1.26	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 369.78 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 4.40

* 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, 2016

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, 2010:
Detached Dwelling Unit - \$4.00 per month.

CITY OF ALCOA, TENNESSEE
SCHEDULE OF ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Property		Utilities And Personal Property		Total		Ratio Of Total Assessed to Total Estimated Actual Value
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Assessed to Total Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
2005	\$ 237,762,945	\$ 750,638,900	\$ 125,969,481	\$ 399,938,360	\$ 363,732,426	\$ 1,150,577,260	31.6
2006	247,243,080	794,939,100	125,409,074	397,258,006	372,652,154	1,192,197,106	31.3
2007	261,683,945	828,322,800	184,269,568	445,953,513	445,953,513	1,274,276,313	35.0
2008	272,106,130	862,357,800	127,729,625	399,835,755	399,835,755	1,262,193,555	31.7
2009	299,141,245	950,991,200	152,824,814	489,183,401	451,966,059	1,440,174,601	31.5
2010	298,353,980	949,602,400	142,874,963	456,023,662	441,228,943	1,405,626,062	31.4
2011	297,910,805	955,798,600	156,568,384	498,713,548	454,479,189	1,454,512,148	31.2
2012	300,422,940	979,877,849	150,244,693	477,638,950	450,667,333	1,524,033,999	29.6
2013	307,716,795	1,005,283,534	139,097,909	440,808,847	446,814,704	1,446,092,381	30.9
2014	375,428,185	1,117,940,800	118,520,453	395,068,075	493,948,638	1,513,008,875	32.6
2015	399,015,095	1,179,568,700	111,601,528	372,004,904	510,616,623	1,551,573,604	32.9

CITY OF ALCOA, TENNESSEE
SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collection</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2005	2.20	\$ 6,769,424	\$ 6,489,243	95.9	\$ 264,151	\$ 6,753,394	99.8	\$ 16,030	0.24%
2006	1.92	7,457,538	6,865,745	97.3	583,641	7,449,386	99.9	8,152	0.11%
2007	2.10	8,166,570	7,838,879	96.0	315,093	8,153,972	99.8	12,598	0.15%
2008	2.10	11,063,469	8,126,633	73.5	2,170,905	10,297,538	93.1	765,931	6.92%
2009	2.10	9,067,939	8,173,154	90.1	3304,550	8,477,704	93.5	590,235	6.50%
2010	1.96	9,132,861	8,864,975	97.1	-	8,864,975	97.1	267,886	2.93%
2011	1.96	8,945,269	8,641,271	96.6	195,439	8,836,710	98.8	303,998	3.40%
2012	1.96	9,712,794	8,759,559	95.5	232,414	8,991,973	98.0	413,235	4.51%
2013	1.96	8,951,791	8,540,278	95.4	501,398	9,041,676	100.0	292,808	3.27%
2014	1.96	9,681,393	8,241,080	85.1	1,254,783	9,495,863	98.1	516,355	5.33%
2015	1.96	10,014,628	9,080,958	90.7	599,187	9,680,145	96.7	600,435	6.00%

**CITY OF ALCOA, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT
TAXES FILED IN BLOUNT COUNTY, TENNESSEE
CIRCUIT COURT
June 30, 2016**

<u>Property Tax Year</u>	<u>Uncollected Delinquent Taxes</u>	<u>Penalty</u>	<u>Total</u>
2014	\$ 112,439	\$ 40,479	\$ 152,918
2013	102,923	39,111	142,034
2012	112,439	40,479	152,918
2011	88,830	31,969	120,799
2010	97,318	36,982	134,300
2009	108,826	39,142	147,968
2008	82,781	29,800	112,581
2007	65,844	23,690	89,534
2006	49,081	13,157	62,238
2005	84,014	20,200	104,214
2004	56,827	14,875	71,702
2003	74,857	19,277	94,134
2002	<u>133,141</u>	<u>33,997</u>	<u>167,138</u>
Totals	<u>\$ 1,056,881</u>	<u>\$ 342,679</u>	<u>\$ 1,399,560</u>

CTY OF ALCOA, TENNESSEE
SCHEDULE OF MISCELLANEOUS DATA -
EDUCATION FUND
June 30, 2016

Education:

Number of Schools	4
Number of Administrative Personnel	11
Number of Instructional Personnel (includes 32.5 paraprofessionals) ...	161.5
Number of Other Personnel (includes 20 lunchroom and and 7 after school program)	54
Number of Students enrolled	1,969

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	-

CITY OF ALCOA, TENNESSEE

SECTION FOUR

STATISTICAL SECTION

June 30, 2016

CITY OF ALCOA, TENNESSEE
STATISTICAL SECTION
June 30, 2016

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

1 through 4

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

5 through 8

These schedules contain information to help the reader assess the City's most significant local revenue source.

DEBT CAPACITY

9 through 13

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.

DEMOGRAPHIC AND ECONOMIC INFORMATION

14 through 15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

16 through 18

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.

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 18,305,142	\$ 18,643,895	\$ 6,206,361	\$ 9,138,604	\$ 17,131,555	\$19,139,028	\$16,394,858	\$ 15,621,176	\$12,958,427	\$ 15,507,157
Restricted.....	9,100,582	12,237,981	18,960,022	12,890,404	5,656,633	5,182,983	4,557,091	7,554,419	2,058,850	2,551,554
Unrestricted (deficit).....	<u>(11,958,643)</u>	<u>(19,025,038)</u>	<u>(9,136,720)</u>	<u>(11,247,155)</u>	<u>(14,276,105)</u>	<u>(11,817,361)</u>	<u>(12,398,197)</u>	<u>(14,296,838)</u>	<u>4,417,981</u>	<u>10,082,758</u>
Total Governmental Activities Net Position.....	<u>\$ 15,447,081</u>	<u>\$ 11,856,838</u>	<u>\$ 16,029,663</u>	<u>\$ 10,781,853</u>	<u>\$ 8,512,083</u>	<u>\$12,504,650</u>	<u>\$ 8,553,752</u>	<u>\$ 8,878,757</u>	<u>\$19,435,258</u>	<u>\$28,141,469</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	49,237,556	50,190,104	\$ 41,602,343	\$ 38,763,375	\$ 37,278,343	\$37,476,104	\$36,064,484	\$ 36,535,491	\$33,482,220	\$ 37,975,646
Restricted.....	1,264,653	1,477,123	1,407,958	1,338,590	1,269,617	1,200,538	1,131,873	1,056,919	1,056,919	956,943
Unrestricted	<u>9,450,499</u>	<u>8,477,339</u>	<u>16,550,292</u>	<u>18,846,604</u>	<u>18,844,587</u>	<u>14,497,846</u>	<u>11,978,142</u>	<u>10,172,283</u>	<u>15,033,590</u>	<u>12,933,442</u>
Total Business-Type Activities Net Position.....	<u>\$ 59,952,708</u>	<u>\$ 60,144,566</u>	<u>\$ 59,560,593</u>	<u>\$ 58,948,569</u>	<u>\$ 57,392,547</u>	<u>\$53,174,488</u>	<u>\$49,174,499</u>	<u>\$ 47,764,693</u>	<u>\$49,572,729</u>	<u>\$51,866,031</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 67,542,698	\$ 68,833,999	\$ 47,808,704	\$ 47,901,979	\$ 54,409,898	\$56,615,132	\$52,459,342	\$ 52,156,667	\$46,440,647	\$53,482,803
Restricted.....	10,365,235	13,715,104	20,367,980	14,228,994	6,926,250	6,383,521	5,688,964	8,611,338	3,115,769	3,508,497
Unrestricted (deficit).....	<u>(2,508,144)</u>	<u>(10,547,699)</u>	<u>7,413,572</u>	<u>7,599,449</u>	<u>4,568,482</u>	<u>2,680,485</u>	<u>(420,055)</u>	<u>(4,124,555)</u>	<u>19,451,571</u>	<u>23,016,200</u>
Total Primary Government Net Position	<u>\$ 75,399,789</u>	<u>\$ 72,001,404</u>	<u>\$ 75,590,256</u>	<u>\$ 69,730,422</u>	<u>\$ 65,904,630</u>	<u>\$65,679,138</u>	<u>\$57,728,251</u>	<u>\$ 56,643,450</u>	<u>\$69,007,987</u>	<u>\$80,007,500</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses:										
Governmental Activities:										
General Government	\$ 1,983,217	\$ 2,226,413	\$ 2,163,198	\$ 2,643,841	\$ 2,431,591	\$ 1,897,624	\$ 1,522,712	\$ 1,731,014	\$ 2,159,519	\$ 5,623,401
Public Safety.....	9,398,298	9,544,500	9,118,341	8,354,301	8,242,524	7,095,684	7,016,544	7,410,445	7,686,688	7,783,149
Public Works	5,599,262	5,698,308	4,583,593	4,183,912	5,484,274	4,453,578	4,522,688	4,844,146	13,880,225	5,337,366
Culture and Recreation	938,333	1,110,699	1,003,749	1,316,438	1,342,132	1,058,816	1,140,865	582,776	699,307	690,163
Other.....	-	-	-	-	-	-	-	-	1,026,510	633,967
Education.....	21,285,442	19,998,346	20,290,532	19,836,728	18,980,713	18,327,823	16,451,592	16,342,500	16,158,628	14,517,438
Economic Development	1,403,320	1,042,221	713,405	748,075	690,939	746,932	2,167,843	2,593,283	1,294,182	1,556,297
Interest on Long-term debt	<u>1,207,000</u>	<u>1,324,010</u>	<u>1,189,641</u>	<u>1,166,010</u>	<u>2,675,165</u>	<u>3,447,121</u>	<u>5,644,637</u>	<u>4,664,560</u>	<u>5,192,439</u>	<u>1,600,989</u>
Total Governmental Activities Expenses.....	<u>41,814,872</u>	<u>40,944,497</u>	<u>39,062,459</u>	<u>38,249,305</u>	<u>39,847,338</u>	<u>37,027,578</u>	<u>38,466,881</u>	<u>38,168,724</u>	<u>48,097,498</u>	<u>37,742,770</u>
Business-type Activities:										
Stormwater Utility	1,146,369	1,108,997	1,082,711	901,571	1,008,510	856,813	684,311	407,413	-	-
Water and Sewer.....	12,183,484	10,986,018	10,247,877	10,647,505	10,513,127	10,871,063	10,757,815	11,500,028	12,085,753	9,547,906
Electric	60,346,969	62,513,432	61,009,610	59,171,822	57,423,290	59,534,420	52,772,944	59,545,482	50,868,625	47,297,957
Landfill	<u>3,840,763</u>	<u>3,619,982</u>	<u>3,943,753</u>	<u>3,629,673</u>	<u>3,788,479</u>	<u>3,294,204</u>	<u>3,291,294</u>	<u>3,147,097</u>	<u>3,176,499</u>	<u>3,349,762</u>
Total Business- type Activities Expenses.....	<u>77,517,585</u>	<u>78,228,429</u>	<u>76,283,951</u>	<u>74,350,571</u>	<u>72,733,406</u>	<u>74,556,500</u>	<u>67,506,364</u>	<u>74,600,020</u>	<u>66,130,877</u>	<u>60,195,625</u>
Total Primary Government Expenses.....	<u>119,332,457</u>	<u>119,172,926</u>	<u>115,346,410</u>	<u>112,599,876</u>	<u>112,580,744</u>	<u>111,584,078</u>	<u>105,973,245</u>	<u>112,768,744</u>	<u>114,228,375</u>	<u>97,938,395</u>
Program Revenues:										
Governmental Activities:										
Charges for services:										
General Government.....	675,592	279,171	496,005	178,493	1,023,162	1,028,807	421,735	549,297	6,512,649	5,732,909
Police and Fire.....	663,174	504,445	15,087	18,146	29,985	-	-	-	-	45,140
Public Works	433,611	304,002	349,703	372,895	627,425	34,351	402,569	356,588	12,797,643	-
Culture and Recreation	18,986	19,700	14,434	17,350	-	41,737	20,948	52,364	-	-
Education.....	603,372	451,405	849,379	552,034	782,537	754,043	736,025	583,548	605,749	778,208
Solid Waste.....	-	-	-	-	-	-	-	-	407,610	408,454
Operating grants and contributions	10,218,711	10,536,788	9,071,291	8,823,444	3,577,873	3,526,523	2,285,592	1,591,445	7,161,923	8,667,042
Capital grants and contributions	<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>	<u>27,240</u>	<u>27,240</u>
Total Governmental Activities Program Revenues.....	<u>13,998,782</u>	<u>17,297,718</u>	<u>13,903,291</u>	<u>10,185,840</u>	<u>6,369,330</u>	<u>8,624,215</u>	<u>4,532,796</u>	<u>3,133,242</u>	<u>27,512,814</u>	<u>15,658,993</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Business-type Activities:										
Charges for services:										
Stormwater Utility	1,061,473	1,035,588	1,026,324	1,015,899	1,032,697	997,509	907,020	806,057	194,292	-
Water and Sewer	11,251,858	10,852,298	10,958,811	10,584,258	11,121,466	10,127,771	10,354,502	9,606,210	9,108,586	8,709,566
Electric	63,062,563	64,201,148	63,215,476	61,827,061	61,180,133	62,679,266	53,854,543	59,706,962	52,196,811	49,367,529
Landfill	3,635,050	3,534,132	3,319,691	3,461,295	4,158,261	3,554,335	3,276,464	2,791,841	3,070,331	3,121,903
Operating grants and contributions ..	153,261	75,718	90,559	105,603	85,166	69,490	75,926	74,113	75,000	60,776
Capital grants and contributions	33,849	1,610,605	-	473,138	942,024	2,667,043	1,814,111	565,229	531,038	92,556
Total Business- type Activities										
Program Revenues	79,198,054	81,309,489	78,610,861	77,467,254	78,519,747	80,095,414	70,282,566	73,550,412	65,176,058	61,352,330
Total Primary Government										
Program Revenues	93,196,836	98,607,207	92,514,152	87,653,094	84,889,077	88,719,629	74,815,362	76,683,654	92,688,872	77,011,323
Net (Expense) / Revenue:										
Governmental Activities	(27,816,090)	(23,646,779)	(25,159,168)	(28,063,465)	(33,478,008)	(28,403,363)	(33,934,085)	(35,035,482)	(20,584,684)	(22,083,777)
Business-type Activities	1,680,469	3,081,060	2,326,910	3,116,683	5,786,341	5,538,914	2,776,202	(1,049,608)	(954,819)	1,156,705
Total primary government										
(expense) / revenue	(26,135,621)	(20,565,719)	(22,832,258)	(24,946,782)	(27,691,667)	(22,864,449)	(31,157,883)	(36,085,090)	(21,539,503)	(20,927,072)
General Revenues and Other Changes										
In Net Position										
Governmental Activities:										
Sales Taxes	14,142,755	14,520,112	14,256,596	15,445,336	15,002,875	15,808,462	18,667,876	13,950,671	8,500,325	9,469,854
State income taxes and excise taxes ..	135,244	95,095	87,636	104,705	145,229	69,431	101,659	-	145,505	111,169
Property taxes	13,744,696	13,734,216	12,723,141	12,129,571	12,211,321	13,797,967	11,768,876	10,680,581	10,693,312	9,465,400
Business taxes/licenses	942,515	897,280	902,658	284,263	1,361,561	817,279	684,788	-	760,459	797,007
Miscellaneous taxes	1,061,384	790,571	512,845	467,396	512,818	265,316	684,577	4,012,543	418,471	929,532
In lieu of taxes	297,331	371,954	155,929	255,535	-	-	140,979	-	(199,079)	(112,977)
Interest earned	117,349	56,826	17,032	3,476	17,931	19,370	11,828	173,239	521,908	641,745
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	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436	1,548,497	857,428	1,562,572	1,290,141
Extraordinary/Special items	-	-	-	-	-	-	-	-	-	(10,750,000)
Total governmental activities	32,330,769	32,194,378	30,406,978	30,333,235	30,873,236	32,354,261	33,609,080	24,418,542	22,403,473	11,841,871
Business-type Activities:										
Gain/loss on sale of fixed assets	-	-	(50,755)	45,783	-	-	-	(67,465)	(304,413)	-
Interest earned	17,168	7,322	22,752	23,313	53,219	37,511	182,101	166,465	528,502	792,685
Transfers-in-lieu of taxes	(1,889,495)	(1,728,324)	(1,686,883)	(1,629,657)	(1,621,501)	(1,576,436)	(1,548,497)	(857,428)	(1,562,572)	(1,290,141)
Total Business-type Activities	(1,872,327)	(1,721,002)	(1,714,886)	(1,560,661)	(1,568,282)	(1,538,925)	(1,366,396)	(758,428)	(1,338,483)	(497,456)
Total Primary Government	30,458,442	30,473,376	28,692,092	28,772,574	29,304,954	30,815,336	32,242,684	23,660,114	21,064,990	11,344,415
Change in Net Position:										
Governmental Activities	4,514,679	8,547,599	5,247,810	2,269,770	(2,604,772)	3,950,898	(325,005)	(10,616,940)	1,818,789	(10,241,906)
Business-type Activities	(191,858)	1,360,058	612,024	1,556,022	4,218,059	3,999,989	1,409,806	(1,808,036)	(2,293,302)	659,249
Total Primary Government	<u>\$ 4,322,821</u>	<u>\$ 9,907,657</u>	<u>\$ 5,859,834</u>	<u>\$ 3,825,792</u>	<u>\$ 1,613,287</u>	<u>\$ 7,950,887</u>	<u>\$ 1,084,801</u>	<u>\$ (12,424,976)</u>	<u>\$ (474,513)</u>	<u>\$ (9,582,657)</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GENERAL FUND										
Assigned	\$ 947,010	\$ 941,852	\$ 631,139	\$ -	\$ -	\$ 1,135,718	\$ -	\$ -	\$ -	\$ -
Restricted	165,441	63,674	2,222	2,096	180,786	990	16,495	19,619	24,851	17,555
Unassigned	<u>5,355,971</u>	<u>4,142,773</u>	<u>3,139,908</u>	<u>2,590,467</u>	<u>2,336,761</u>	<u>3,993,720</u>	<u>2,392,524</u>	<u>2,482,343</u>	<u>3,312,439</u>	<u>3,643,328</u>
Total General Fund	<u>\$ 6,468,422</u>	<u>\$ 5,148,299</u>	<u>\$ 3,773,269</u>	<u>\$ 2,592,563</u>	<u>\$ 2,517,547</u>	<u>\$ 5,130,428</u>	<u>\$ 2,409,019</u>	<u>\$ 2,501,962</u>	<u>\$ 3,337,290</u>	<u>\$ 3,660,883</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,400,023	5,408,474	2,774,092	3,215,522	2,533,986	41,988	1,168,915	1,590,226	2,033,999	2,533,999
Assigned, reported in:										
Debt Service Fund	1,019,041	2,945,179	1,787,413	804,120	94,697	95,232	95,766	95,766	95,766	95,766
Special Revenue Funds	188,901	159,708	165,066	641,993	1,265,943	2,685,827	2,576,815	2,395,866	4,289,608	3,721,722
Capital Projects Funds	820,051	366,624	685,982	3,307,028	1,081,149	1,004,074	715,595	4,036,277	6,789,139	2,644,107
Committed	<u>3,484,317</u>	<u>2,352,470</u>	<u>12,914,108</u>	<u>5,834,498</u>	<u>412,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other										
Governmental Funds	<u>\$ 9,912,333</u>	<u>\$ 11,232,455</u>	<u>\$ 18,326,661</u>	<u>\$ 13,803,161</u>	<u>\$ 5,399,273</u>	<u>\$ 3,827,121</u>	<u>\$ 4,557,091</u>	<u>\$ 8,118,135</u>	<u>\$ 13,208,512</u>	<u>\$ 8,995,594</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:										
Taxes	\$ 25,390,315	\$ 26,555,861	\$ 24,149,030	\$ 22,449,030	\$ 18,847,900	\$ 20,758,394	\$ 19,241,999	\$ 19,304,370	\$ 20,372,567	\$ 18,150,924
Licenses, permits and fees	141,755	222,483	527,213	448,607	387,426	362,880	418,004	107,733	205,155	142,779
Rent	153,336	143,388	143,547	143,389	136,533	154,944	154,744	162,663	158,314	139,200
Intergovernmental	13,102,650	18,300,151	15,992,077	14,337,120	19,660,547	19,471,744	15,452,554	14,641,516	12,937,137	11,465,097
American Recovery and Reinvestment Act (ARRA)	-	-	-	-	-	2,796,361	1,432,448	-	-	-
Fines, forfeitures and costs.....	663,174	517,539	507,920	467,396	504,571	833,623	580,522	507,517	982,593	756,482
Interest earned	85,317	56,826	17,032	3,476	14,301	15,381	11,828	173,241	521,908	589,814
Other revenue	3,566,681	758,671	130,807	98,121	1,022,837	235,338	144,164	427,025	1,820,655	1,151,066
Charges for service.....	<u>920,100</u>	<u>834,269</u>	<u>1,025,789</u>	<u>942,279</u>	<u>1,104,516</u>	<u>901,811</u>	<u>1,033,120</u>	<u>1,071,162</u>	<u>-</u>	<u>-</u>
Total Revenues.....	<u>44,023,328</u>	<u>47,389,188</u>	<u>42,493,415</u>	<u>38,889,418</u>	<u>41,678,631</u>	<u>45,530,476</u>	<u>38,469,383</u>	<u>36,395,227</u>	<u>36,998,329</u>	<u>32,395,362</u>
EXPENDITURES:										
General government	1,665,434	1,740,661	1,726,638	1,703,606	1,725,782	1,703,547	1,585,698	1,647,465	1,872,986	1,318,684
Public safety	9,266,855	9,126,797	8,691,747	8,047,944	7,831,192	7,381,046	7,145,375	7,410,445	7,296,684	7,397,238
Public Works	5,039,816	4,974,584	5,167,334	4,913,515	5,277,899	6,206,920	4,330,871	4,844,146	17,322,578	7,400,825
Recreation and Arts.....	785,765	851,898	747,727	1,060,417	1,096,972	583,044	1,140,865	582,776	703,805	1,628,659
Other Appropriations	-	-	-	-	-	-	-	-	972,937	633,967
Education.....	20,509,466	18,833,640	18,869,100	18,468,873	17,958,585	17,303,597	16,451,592	16,299,972	15,586,138	14,527,226
Capital Projects	-	-	-	-	-	-	-	-	53,575	129,573
Debt service:										
Principal retirement.....	5,560,136	5,269,964	4,157,023	3,354,834	3,497,476	3,022,318	2,462,276	2,407,416	2,202,688	1,558,116
Interest and fiscal fees	3,949,082	4,003,952	3,433,555	3,118,018	5,421,897	5,625,452	5,644,637	4,664,560	5,192,439	3,888,231
Capital Outlay	3,327,687	24,902,807	20,274,934	4,403,369	1,174,219	3,383,297	3,673,344	5,161,078	1,670,554	1,785,216
Community development/ Culture	<u>1,403,320</u>	<u>1,042,221</u>	<u>713,405</u>	<u>748,075</u>	<u>690,939</u>	<u>790,263</u>	<u>2,167,843</u>	<u>10,189,849</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>51,507,561</u>	<u>70,746,524</u>	<u>63,781,463</u>	<u>45,818,651</u>	<u>44,674,961</u>	<u>45,999,484</u>	<u>44,602,501</u>	<u>53,207,707</u>	<u>52,874,384</u>	<u>40,267,735</u>
Deficiency of Revenue Over Expenditures Before Financing Sources (Uses).....	<u>(7,484,233)</u>	<u>(23,357,336)</u>	<u>(21,288,048)</u>	<u>(6,929,233)</u>	<u>(2,996,330)</u>	<u>(469,008)</u>	<u>(6,133,118)</u>	<u>(16,812,480)</u>	<u>(15,876,055)</u>	<u>(7,872,373)</u>

(Continued)

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
OTHER FINANCING SOURCES (USES)										
Operating Transfers	4,594,973	5,738,182	4,455,371	3,778,480	(68,500)	(68,500)	(94,000)	-	17,806,049	2,941,558
Issuance of debt/capital lease	-	9,995,000	-	-	402,528	952,511	-	-	396,759	4,137,293
In lieu of taxes	1,889,495	1,728,324	1,686,883	1,629,657	1,621,501	1,576,436	1,548,497	1,411,774	1,562,572	1,112,984
Issuance of debt	-	-	20,850,000	10,000,000	-	470,000	1,024,635	34,000,000	-	-
Bond premium	-	176,654	-	-	-	-	-	-	-	-
Paid to debt escrow agent	-	-	-	-	-	(470,000)	-	(24,525,000)	-	-
Debt Service to Blount Co	-	-	-	-	-	-	-	-	-	(95,536)
Total Other Financing Sources	<u>6,484,468</u>	<u>17,638,160</u>	<u>26,992,254</u>	<u>15,408,137</u>	<u>1,955,529</u>	<u>2,460,447</u>	<u>2,479,132</u>	<u>10,886,774</u>	<u>19,765,380</u>	<u>8,096,299</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ (999,765)</u>	<u>\$ (5,719,176)</u>	<u>\$ 5,704,206</u>	<u>\$ 8,478,904</u>	<u>\$ (1,040,729)</u>	<u>\$ 1,991,439</u>	<u>\$ (3,653,986)</u>	<u>\$ (5,925,706)</u>	<u>\$ 3,889,325</u>	<u>\$ 223,926</u>
Debt service as a percentage of non-capital expenditures	<u>19.7%</u>	<u>25.3%</u>	<u>20.9%</u>	<u>18.3%</u>	<u>20.50%</u>	<u>20.29%</u>	<u>19.81%</u>	<u>14.72%</u>	<u>14.44%</u>	<u>14.15%</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	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	2006	\$ 247,243,080	\$ 90,081,440	\$ 35,327,634	\$372,652,154	1.92	\$1,230,266,706	30%
2008	2007	261,683,945	161,502,514	22,767,054	445,953,513	2.10	1,477,865,826	30%
2009	2008	272,106,130	107,305,226	20,424,399	399,835,755	2.10	1,359,312,773	29%
2010	2009	299,141,245	131,234,268	21,590,546	451,966,059	1.96	1,492,090,101	30%
2011	2010	298,353,980	121,632,050	21,242,913	441,228,943	1.96	1,468,493,462	30%
2012	2011	297,910,805	136,969,733	19,598,651	454,479,189	1.96	1,522,336,648	30%
2013	2012	300,422,940	129,589,563	20,655,563	450,667,633	1.96	1,524,033,999	29%
2014	2013	307,716,795	118,361,585	20,736,324	446,814,704	1.96	1,512,783,981	30%
2015	2014	345,523,373	119,580,225	28,845,040	493,948,638	1.96	1,513,008,885	33%
2016	2015	353,008,768	121,353,975	36,253,880	510,616,623	1.96	1,551,573,604	33%

CITY OF ALCOA, TENNESSEE
SCHEDULE 6
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate per \$100 of Assessed Value)
Last Ten Calendar Years

Fiscal Year Ending 30-Jun	Tax Year	General Fund	Debt Service Fund	General Purpose School Fund	Total Direct Tax Rate	Overlapping Tax Rate - Blount County
2007	2006	\$ 0.22	\$ 0.62	\$ 1.08	\$ 1.92	\$ 2.23
2008	2007	0.42	0.63	1.05	2.10	2.23
2009	2008	0.34	0.71	1.05	2.10	2.23
2010	2009	0.48	0.55	0.93	1.96	2.04
2011	2010	0.48	0.55	0.93	1.96	2.15
2012	2011	0.48	0.55	0.93	1.96	2.15
2013	2012	0.48	0.55	0.93	1.96	2.15
2014	2013	0.49	0.58	0.89	1.96	2.15
2015	2014	0.49	0.58	0.89	1.96	2.47
2016	2015	0.49	0.58	0.89	1.96	2.47

CITY OF ALCOA, TENNESSEE
SCHEDULE 7
PRINCIPAL TAXPAYERS
June 30, 2016

FOR TAX YEAR 2016

FOR TAX YEAR 2006

			Percentage of Total City Taxable Assessed Value				Percentage of Total City Taxable Assessed Value
	<u>ASSESSMENT</u>	<u>Rank</u>			<u>ASSESSMENT</u>	<u>Rank</u>	
ALCOA	\$ 121,131,743	1	23.7	ALCOA	\$ 90,859,660	1	24.4
CMH MANAGEMENT	13,136,315	2	2.6	BELLSOUTH	9,883,651	2	2.7
INLAND DIVERSIFIED ALCOA	9,465,400	3	1.9	CMH SERVICES	6,988,632	3	1.9
FAULKNER PROPERTIES	9,272,120	4	1.8	FAULKNER PROPERTIES	5,236,040	4	1.4
STOCK CREEK, LLC	7,910,680	5	1.5	MIDEB NOMINEES, INC. #672	4,549,760	5	1.2
RIDGE AT HAMILTON CROSSING	7,206,360	6	1.4	ALCOA POWER GENERATING	4,506,720	6	1.2
MIDEB NOMINEES INC #672	6,063,880	7	1.2	REHOLD ALCOA, LLC	4,333,503	7	1.1
MIDEB NOMINEES INC	4,555,200	8	.9	MIDEB NOMINEES, INC.	3,057,760	8	.8
COLEMAN-PROSPERO INDUSTRIAL	<u>4,359,480</u>	9	<u>.9</u>	MEDICAL DEV. ASSOC., LLC	<u>3,017,400</u>	9	<u>.8%</u>
	<u>\$ 183,101,178</u>		<u>35.9</u>		<u>\$ 132,433,126</u>		<u>35.5%</u>
Total City Assessment	<u>\$ 510,616,623</u>			Total City Assessment	<u>\$ 372,652,154</u>		

CITY OF ALCOA, TENNESSEE
SCHEDULE 8
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the <u>Fiscal year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	\$ 7,457,538	\$ 6,865,745	92.1%	\$ 583,641	\$ 7,449,386	99.9%
2008	8,166,570	7,838,879	96.0%	315,093	8,153,972	99.8%
2009	11,063,469	8,126,633	73.5%	2,170,905	10,297,538	93.1%
2010	9,067,939	8,173,154	90.1%	304,550	8,477,704	93.5%
2011	9,132,861	8,864,975	97.1%	-	8,864,975	97.1%
2012	8,945,269	8,641,271	96.6%	195,439	8,836,710	98.8%
2013	9,172,794	8,759,559	95.5%	234,267	8,993,826	98.1%
2014	8,951,791	8,540,278	95.4%	501,398	9,041,676	99.0%
2015	9,681,393	8,241,080	85.1%	1,254,783	9,495,863	98.1%
2016	10,014,628	9,080,958	90.7%	599,187	9,680,145	96.7%

CITY OF ALCOA, TENNESSEE
SCHEDULE 9
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities						Total	Percentage of Personal Income	Per Capita
	General Obligation/ Revenue Bonds	Capital Outlay Notes	Capital Leases	Water & Sewer Bonds	Landfill Bonds	Electric Bonds	Electric Capital Outlay Notes	Water & Sewer Capital Outlay Notes	Capital Leases			
2007	\$36,260,309	-	\$ 439,670	\$37,723,554	\$2,516,000	\$13,822,290	\$ -	\$ -	\$ -	\$90,761,823	33.96%	\$10,564
2008	41,085,000	-	9,389,160	46,228,098	2,316,000	21,075,000	-	-	-	120,093,258	43.30%	13,907
2009	48,695,000	-	9,447,676	46,541,857	2,135,000	21,105,000	-	-	-	127,924,533	42.01%	13,685
2010	48,285,000	-	9,341,120	46,034,581	8,000,000	20,870,000	-	-	295,718	132,826,419	67.85%	15,720
2011	46,625,000	-	10,192,449	45,507,263	7,475,000	20,295,000	-	-	409,718	130,504,430	(1)	(1)
2012	44,865,000	-	10,443,284	48,491,008	6,935,000	19,665,000	-	-	264,777	130,664,069	(1)	(1)
2013	52,975,000	-	10,072,979	48,290,824	6,365,000	18,985,000	-	-	130,285	136,819,088	(1)	(1)
2014	70,550,000	-	9,802,394	48,178,801	6,375,000	18,280,000	-	-	27,947	153,214,142	(1)	(1)
2015	78,150,000	-	9,656,129	47,153,837	5,630,000	17,550,000	-	-	-	158,139,966	(1)	(1)
2016	75,605,000	-	9,554,742	46,613,701	4,760,000	16,765,000	-	-	-	153,298,443	(1)	(1)

Notes:

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

See Schedule 14 for personal income and population data for the City. These ratios are calculated using personal income and population for the prior calendar year.

(1) Data not available

CITY OF ALCOA, TENNESSEE
SCHEDULE 10
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>General Obligation/ Revenue Bonds</u>	<u>Capital Outlay Notes</u>	<u>Total</u>	<u>Taxable Value of Property</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2007	\$ 23,365,000	\$ -	\$ 23,365,000	\$ 363,732,426	6.42%	\$ 2,761
2008	36,260,309	-	36,260,309	372,652,154	9.73%	4,220
2009	41,085,000	-	41,085,000	445,953,513	9.21%	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%	5,443
2016	75,605,000	-	75,605,000	510,616,623	14.81%	

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 14.

CITY OF ALCOA, TENNESSEE
SCHEDULE 11
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2016

<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	\$ 75,605,000		
Capital Leases	<u>9,554,742</u>		
Total Direct Debt	85,159,742	100%	85,159,742
Overlapping Debt:			
Blount County General Government	196,923,455	15%	<u>29,538,518</u>
Total Direct and Overlapping Debt			<u>\$ 114,698,260</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					
	<u>Landfill Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2007	\$ 3,182,679	\$ 2,564,082	\$ 618,597	\$ 106,963	\$ 133,131	2.58
2008	3,145,331	2,532,914	612,417	210,000	158,106	1.66
2009	2,865,954	2,555,229	310,725	210,000	110,745	0.97
2010	3,333,601	2,565,827	767,774	525,000	188,265	1.08
2011	3,609,425	2,440,878	1,168,547	525,000	277,490	1.46
2012	4,227,886	3,503,439	724,447	634,028	259,845	0.81
2013	3,460,408	3,361,784	98,624	646,145	247,999	0.23
2014	3,311,193	2,982,477	328,716	595,000	228,157	0.40
2015	3,533,557	2,789,714	743,843	745,000	208,830	0.78
2016	3,623,476	2,814,377	809,099	795,000	192,838	0.82

	Electric Revenue Debt					
	<u>Utility Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2007	\$ 49,366,956	\$ 45,144,687	\$ 4,222,269	\$ 75,000	\$ 645,166	5.86
2008	52,194,112	48,450,521	3,743,591	225,000	838,000	3.52
2009	59,696,972	55,973,384	3,723,588	235,000	486,155	5.16
2010	53,833,208	52,416,557	1,416,651	575,000	330,000	1.57
2011	62,677,214	59,103,033	3,574,181	575,000	405,000	3.65
2012	61,177,604	57,156,903	2,020,701	630,000	277,575	2.23
2013	61,824,158	56,271,437	5,552,721	680,000	462,500	4.86
2014	63,215,476	58,183,734	5,031,742	705,000	378,333	4.64
2015	64,132,308	59,684,010	4,448,298	730,000	340,000	4.16
2016	63,060,136	57,427,543	5,632,593	815,000	169,167	5.72

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE 13
PLEDGED – REVENUE COVERAGE (Continued)
Last Ten Fiscal Years*

Water and Sewer Revenue Debt						
	<u>Utility Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2007	\$ 8,709,566	\$ 6,598,365	\$ 2,111,201	\$ 366,153	\$ 1,340,686	1.24
2008	9,108,586	7,867,338	1,241,248	477,416	2,034,035	.49
2009	9,606,210	7,413,003	2,193,207	185,000	1,724,138	1.15
2010	10,354,502	7,223,718	3,130,784	190,000	1,414,681	1.95
2011	10,078,198	7,240,067	2,838,131	190,014	1,471,659	1.71
2012	11,981,772	6,884,584	5,097,188	567,486	1,433,809	2.55
2013	10,686,651	6,907,487	3,779,164	497,712	1,395,130	2.00
2014	10,958,811	6,311,934	4,646,877	656,848	1,637,424	2.03
2015	10,852,298	7,363,257	3,489,041	1,024,964	1,857,975	1.21
2016	11,205,806	8,090,148	3,115,658	1,085,500	1,244,342	1.34

Stormwater Revenue Debt						
	<u>Utility Service Charges</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
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

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) <u>Population</u>	Personal <u>Income</u>	(2) <u>Per Capita Income</u>	(3) <u>School Enrollment</u>	(4) <u>Unemployment Rate</u>
2006	8,463	\$ 252,569,772	\$ 29,844	1,466	4.20%
2007	8,592	\$ 267,271,344	\$ 31,107	1,594	3.60%
2008	8,635	\$ 277,338,930	\$ 32,118	1,610	5.40%
2009	8,680	\$ (5)	\$ (5)	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%

Sources:

- (1) U.S. Census Bureau
- (2) 1997-2007 UT Center for Business and Economic Research; East TN Development District 2012
- (3) City of Alcoa Schools
- (4) Tennessee Department of Labor and Workforce Development

CITY OF ALCOA, TENNESSEE
SCHEDULE 15
PRINCIPAL EMPLOYERS
June 30, 2016

<u>Employer</u>	2016			(3) 2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City/County Employment</u>
Denso Manufacturing Tennessee, Inc. (1)	3,500	1	5.93%	2,500	1	4.08%
Blount Memorial Hospital, Inc. (1)	2,396	2	4.06%	1,584	3	2.59%
Clayton Homes (1)	2,712	3	4.59%	1,373	3	2.24%
Blount County School System (1)	1,800	5	3.05%	1,200	5	1.95%
McGhee Tyson ANG Base (1)	1,717	6	2.91%	-	-	-
Alcoa, Inc. (1)	1,176	7	1.99%	1,660	2	2.71%
TeamHealth Alcoa Billing Center (1)	900	7	1.52%	-	-	-
Ruby Tuesday (1)	696	8	1.18%	500	9	0.82%
Maryville City Schools (2)	668	9	1.13%	679	7	1.11%
Blount County Government (1)	591	10	1.00%	550	8	0.90%
WalMart Super Center (2)	568	11	0.96%	550	8	0.90%
Accenture (1)	541	12	0.92%	-	-	-
Massey Group (2)	400	13	0.68%	-	-	-
Maryville College (2)	362	14	0.61%	-	-	-
Newell Rubbermaid (1)	360	15	0.61%	900	6	1.47%
Reinhart Food Service (1)	344	16	0.58%	-	-	-
City of Maryville (2)	305	17	0.52%	-	-	-
Rockford Manufacturing (1)	300	18	0.51%	-	-	-
Peninsula Hospital (1)	280	19	0.47%	-	-	-
City of Alcoa (2)	266	20	0.45%	-	-	-
Standard Aero, Inc. (1)	240	21	0.41%	-	-	-
Alcoa City Schools (2)	224	22	0.38%	-	-	-
EZ Stop Food Marts (1)	220	23	0.37%	-	-	-
Cornerstone of Recovery (1)	219	24	0.37%	-	-	-
	<u>20,785</u>		<u>35.20%</u>	<u>11,496</u>		<u>18.77%</u>

Total Blount County Employment 2016 (as of 05/16) (4) 59,057
Total Blount County Employment 2007 (as of 06/07) (4) 61,237

*Total employment for Blount County

Source: (1) The Knoxville News Sentinel "Book of Lists"
(2) 2016 Responses from Employer
(3) City of Maryville Comprehensive Annual Financial Report 6/30/07
(4) U.S. Bureau of Labor Statistics

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

	<u>Actual 2016</u>	<u>Actual FY 2015</u>	<u>Actual FY 2014</u>	<u>Actual FY 2013</u>	<u>Actual FY 2012</u>	<u>Actual FY2011</u>	<u>Actual FY 2010</u>	<u>Actual FY 2009</u>	<u>Actual FY 2008</u>	<u>Actual FY 2007</u>
General Government										
Administration / Office	42	42	42	43	42	51	51	51	53	53
Police	49	49	41	42	42	42	41	43	41	41
Fire	34	32	29	30	30	30	28	29	29	29
Public Works and Streets	13	17	17	15	15	18	18	20	21	20
Other-support service and maintenance	6	6	6	6	6	7	7	10	10	10
Education	249	235	231	231	231	228	227	227	218	214
Solid Waste	10	11	11	11	11	10	10	11	11	11
Other – inspectors	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total General Government	<u>406</u>	<u>395</u>	<u>380</u>	<u>381</u>	<u>382</u>	<u>390</u>	<u>386</u>	<u>396</u>	<u>388</u>	<u>383</u>
Utilities										
Water and Sewer	34	34	34	34	34	33	33	34	34	36
Stormwater	8	8	8	8	8	8	8	-	-	-
Electric	60	60	61	62	62	61	61	63	67	67
Landfill	<u>17</u>	<u>17</u>	<u>18</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>18</u>	<u>18</u>	<u>12</u>	<u>11</u>
Total Utilities	<u>119</u>	<u>119</u>	<u>121</u>	<u>120</u>	<u>120</u>	<u>118</u>	<u>120</u>	<u>115</u>	<u>113</u>	<u>114</u>
Total General Government and Utilities	<u>525</u>	<u>514</u>	<u>501</u>	<u>501</u>	<u>502</u>	<u>508</u>	<u>506</u>	<u>511</u>	<u>501</u>	<u>497</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Function/Program</u>										
Police										
Physical arrests	1,145	1,245	1,492	1,506	697	1,449	1,321	992	954	1,231
Traffic violations	5,298	6,061	7,431	7,179	7,550	8,067	6,403	7,838	9,282	9,933
Fire										
Emergency responses	2,185	1,519	1,867	1,797	1,669	1,591	1,518	1,510	1,400	1,159
Fires extinguished	84	46	61	58	75	99	63	119	132	130
Inspections	289	501	303	283	850	131	729	383	404	373
Public works/Streets										
Street resurfacing (miles)	3.4	2.3	4.5	1.3	1.5	3.3	0.81	0.50	2.03	1.08
Potholes repaired	253	83	52	126	83	38	203	116	70	163
Education										
Tuition students served	409	435	483	473	484	490	482	468	475	456
Parks and recreation										
Community pool admissions	36,045	30,368	34,677	35,500	40,510	44,506	47,474	53,627	46,097	47,586
Landfill										
Refuse collected (tons per day)	332.46	290.87	327.13	227.87	283.57	295.60	202.00	288.06	321.24	327.13
Recyclables collected (tons per day)	n/a	n/a	n/a	n/a	188.65	150.00	145.00	167.20	172.61	162.59
Water/Sewer										
New connections	83	232	219	147	117	81	79	29	263	275
Water mains breaks-leak repaired	108	160	216	154	208	194	116	171	249	415
Average daily consumption (thousands of gallons)	4,933	4,687	6,237	6,566	5,308	5,040	5,858	6,728	3,753	3,638
Peak daily consumption (thousands of gallons)	9,070	8,470	9,380	9,040	8,990	9,550	9,890	10,370	12,520	11,440
Average daily sewage treatment (thousands of gallons)	1,926	1,348	1,740	2,125	2,025	1,227	1,693	1,674	1,763	1,810
Electric Utility										
Average monthly kwh purchased	52,465,339	54,395,397	53,911,198	52,276,324	51,720,533	55,409,355	54,855,918	54,266,511	55,989,565	54,926,073

Sources: Various City departments.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	-	-	-	-	-	-	-	-	-	-
Patrol units	46	42	42	42	42	42	33	33	33	33
Police Adm./other vehicles	16	16	15	15	15	15	21	21	21	21
Fire stations	3	3	3	3	3	3	3	3	3	3
Landfill										
Collection trucks (customers)	69,548	53,056	57,873	56,809	71,500	71,500	80,784	83,283	80,573	74,890
Public works/Streets										
Highway (miles)	110.9	110.9	110.5	110.5	110.5	110.5	110	110	110	110
Streetlights										
Traffic signals	24	24	24	24	24	24	21	21	21	21
Education										
High School	1	1	1	1	1	1	1	1	1	1
Middle School	1	1	1	1	1	1	1	1	1	1
Intermediate School	1	1	-	-	-	-	-	-	-	-
Elementary School	1	1	1	1	1	1	1	1	1	1
Parks and recreation										
Acreage	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8	83.8
Playgrounds	3	3	3	3	3	3	3	3	3	3
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	255.0	251.8	213.1	213.1	213.1	213.1	213.1	214.0	213.4	213.4
Storage capacity (thousands of gallons)	14,950	14,950	13,350	13,350	13,350	13,350	13,350	13,350	13,350	13,350
Treatment capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Sewage										
Sanitary sewers (miles)	140.3	137.1	137.6	137.6	133.6	133.6	133.6	133.6	132.9	132.9
Storm sewers (miles)	49.6	138.36	47.3	47.3	47.3	47.3	47.3	49.8	48.8	48.8
Electric										
Number of Customers	28,728	28,549	27,905	27,808	27,640	27,443	27,431	27,364	27,557	27,276
Annual KWH sold	601,572,219	621,642,357	616,051,727	627,315,889	620,646,399	632,856,770	621,001,490	620,958,542	641,067,826	626,980,649
Sub Stations	13	13	12	12	12	12	12	12	12	12
Pole line (miles)	1,068	1,200	1,145	1,145	1,145	1,145	1,145	1,107	1,107	1,096
Sources: Various city departments.										

CITY OF ALCOA, TENNESSEE

SECTION FIVE

SINGLE AUDIT SECTION

June 30, 2016

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2016

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2016</u>
FEDERAL ASSISTANCE AWARDS:								
<u>General Fund:</u>								
COPS Hiring GHSO	U.S. Dept. of Justice	N/A	16.710	<u>(2,891)</u>	<u>45,454</u>	<u>-</u>	<u>70,494</u>	<u>(27,931)</u>
<u>Capital Projects Funds:</u>								
G.O. Public Works Construction								
Old Knoxville Highway/Pellissippi Place W/S Replacement	U.S. Dept. of Transportation through TN Dept. of Transportation	N/A	20.205	<u>(1,145,881)</u>	<u>1,677,445</u>	<u>-</u>	<u>562,128</u>	<u>(30,564)</u>
<u>Federal Projects Funds:</u>								
	<u>U.S. Dept. of Education through:</u>							
Carl Perkins Program Improvement	TN Dept. of Education	2015-2016	84.048	-	17,430	-	17,430	-
Title I Carryover	TN Dept. of Education	15-01	84.010	(1,224)	77,141	1,224	77,141	-
Title I-A	TN Dept. of Education	16-01	84.010	-	279,100	-	279,100	-
Title II-A Training	TN Dept. of Education	16-01	84.367	4,937	58,749	-	63,686	-
Title IV	TN Dept. of Education	15-01	84.048	(1,400)	-	1,400	-	-
Preschool	TN Dept. of Education	16-01	84.173	-	9,495	-	9,495	-
IDEA B	TN Dept. of Education	16-01	84.027	(4,307)	352,596	4,307	352,596	-
Erate	TN Dept. of Education	16-01	84.377	58,084	27,435	-	39,832	45,687
Title II	TN Dept. of Education	15-01	84.367	14	-	(14)	-	-
IDEA STIM	TN Dept. of Education	15-01	84.027	45,179	-	(45,179)	-	-
Title II-D	TN Dept. of Education	15-01	84.367	<u>(244)</u>	<u>-</u>	<u>244</u>	<u>-</u>	<u>-</u>
Total Federal Projects Funds				<u>101,039</u>	<u>821,946</u>	<u>(38,018)</u>	<u>839,280</u>	<u>45,687</u>
TOTALS – FEDERAL FINANCIAL ASSISTANCE				<u>(1,047,733)</u>	<u>2,544,845</u>	<u>(38,018)</u>	<u>1,471,902</u>	<u>(12,808)</u>

(Continued)

CITY OF ALCOA, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Fiscal Year Ended June 30, 2016

<u>Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Other/ Transfers In (Out)</u>	<u>Expenditures</u>	<u>Balance June 30, 2016</u>
STATE AWARDS:								
<u>Proprietary Funds:</u>								
Landfill Fund	TN Dept. of Environment and Conservation	N/A	66.000	-	153,261	-	153,261	-
<u>Education Fund:</u>								
Family Resource Center	TN Dept. of Education	N/A	N/A	-	29,612	-	29,612	-
Early Childhood (Lottery – Pre K)	TN Dept. of Education	N/A	N/A	-	170,445	-	170,445	-
Education Handicapped ACT	TN Dept. of Education	N/A	N/A	-	71,570	-	71,570	-
Coordinated School Health	TN Dept. of Education	N/A	N/A	-	80,000	-	94,482	(14,482)
Career Ladder Extended Contract	TN Dept. of Education	N/A	N/A	-	43,550	-	43,550	-
Explorer ACT	TN Dept. of Education	N/A	N/A	-	3,875	-	3,875	-
Child Nutrition	TN Dept. of Education	N/A	N/A	-	7,517	-	7,517	-
Driver Education	TN Dept. of Education	N/A	N/A	-	5,460	-	5,460	-
ConnecTN	TN Dept. of Education	N/A	N/A	-	5,018	-	5,018	-
Total Education Fund				-	417,047	-	431,529	(14,482)
TOTALS – STATE FINANCIAL ASSISTANCE				-	570,308	(38,018)	584,790	(14,482)
TOTALS – FEDERAL AND STATE FINANCIAL ASSISTANCE				<u><u>\$(1,047,733)</u></u>	<u><u>\$3,115,153</u></u>	<u><u>\$ (38,018)</u></u>	<u><u>\$ 2,056,692</u></u>	<u><u>\$ (27,290)</u></u>

CITY OF ALCOA, TENNESSEE
SCHEDULE OF PERFORMANCE BASED ASSISTANCE, LOANS AND ENTITLEMENTS
For the Fiscal Year Ended June 30, 2016

<u>Grantor/Program or Cluster</u>	<u>Grantor/Pass-through</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Balance July 1, 2015</u>	<u>Amount Earned</u>	<u>Receipts</u>	<u>Balance June 30, 2016</u>
Nutrition Cluster:							
National School Lunch Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.555	\$ -	\$ 414,527	\$ 414,527	\$ -
National School Breakfast Program	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.553	-	142,046	142,046	-
Summer Feeding	U.S. Dept. of Agriculture through TN Dept. of Education	N/A	10.569	_____	22,807	22,807	_____
				<u>\$ -</u>	<u>\$ 579,380</u>	<u>\$ 579,380</u>	<u>\$ -</u>

Summary of Due from Grantors and Unapplied Grant Funds for the fiscal year ended June 30, 2016:

	<u>Due from Grantors</u>	<u>Unapplied Grant Funds</u>	<u>Total</u>
General Fund	\$ (27,931)	\$ -	\$ (27,931)
Federal Projects Funds	-	45,687	45,687
G.O. Public Works Construction	(30,564)	-	(30,564)
Totals	<u>\$ (58,495)</u>	<u>\$ 45,687</u>	<u>\$ (12,808)</u>

Notes to Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2016:

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, 2016. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2016

CFDA No.	Program Name	Grantor Agency	Balance July 1, 2014	Receipts	Expenditures	Balance June 30, 2016
10.555	U.S. Department Of Agriculture Donated Commodities	Federal Pass Through Tennessee Department Of Agriculture	\$ -	\$ 43,839	\$ 43,839	\$ -

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, 2016



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January 24, 2017

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcoa, Tennessee, as of and for the year ended June 30, 2016 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 January 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Alcoa, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Alcoa, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Alcoa, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency: Finding 2016-01.

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*.

The City of Alcoa, Tennessee's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 24, 2017



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January 24, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Alcoa, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Alcoa, Tennessee's major federal programs for the year ended June 30, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the City of Alcoa, Tennessee is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Alcoa, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Alcoa, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
January 24, 2017

CITY OF ALCOA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

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. Deficiencies relating to the audit of the financial statements are reported in 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 instances of noncompliance are reported in the audit of the financial statements of the City of Alcoa, Tennessee based on 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. Deficiencies in internal control over a 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:	
Idea Part B/Comp. Plan (cluster)	84.027
Title I Improving Basic Education (cluster) .	84.010
The Child Nutrition Cluster:	
School Breakfast Program	10.553
School Lunch/Commodities	10.555
Summer Feeding	10.569
Department of Transportation.....	20.205

8. The threshold for distinguishing Types A and B programs was \$527,214.
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, 2016

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001 Finding

The Cafeteria Fund expenditures exceeded revenue by \$20,215 during the current year. Prior year expenditures exceeded revenues by \$16,136, (Finding 2014-01, June 30, 2014; Finding 2015-01, June 30, 2015)

Recommendation

We recommend that the Cafeteria Fund management should evaluate the cause of expenses exceeding revenues, in order to eliminate future expenditures in excess of revenues.

Management Response

We concur with the recommendation.

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

None.

D. PRIOR YEAR FINDINGS IMPLEMENTED

None.