

CITY OF ELIZABETHTON, TENNESSEE

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

For the Year Ended June 30, 2009

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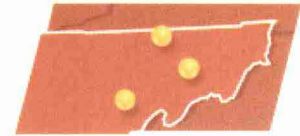
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FINANCIAL  
SECTION

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, City Council Members  
and City Manager  
City of Elizabethton, Tennessee 37643

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elizabethton, Tennessee (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Elizabethton Municipal Airport (the Airport), a blended component unit. The financial statements of the Airport represent five percent, seven percent and two percent respectively of the assets, net assets and revenues of the enterprise funds. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport in the business-type activities columns, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elizabethton, Tennessee as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor, City Council Members  
and City Manager  
City of Elizabethton, Tennessee

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In accordance with *Government Auditing Standards* we have also issued our report dated December 21, 2009, on our consideration of the City of Elizabethton, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 and required supplementary information on pages 84 and 85 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditor have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elizabethton, Tennessee's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the supplemental and supplemental (unaudited) sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and, the supplemental section except for the supplemental section (unaudited) have been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditor are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental section (unaudited) has not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Blackburn, Childers & Steagall, P.C.*  
BLACKBURN, CHILDERS AND STEAGALL, PLC

December 21, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Elizabethton, Tennessee (the City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by **\$78,729,846** (*net assets*). Of this amount, **\$53,958,198** is invested in capital assets (*net of related debt*).
- The City's total net assets increased by **\$1,879,112**.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$14,232,837**. Of this amount, **\$11,171,656** is designated for specific purposes.
- At the end of the current fiscal year, fund balance for the general fund was **\$12,912,658** or **90%** of total general fund expenditures including transfers out. This balance included **\$11,171,656** committed for specific purposes.
- The City's total debt increased by **\$4,545,697 (13%)** during the current fiscal year.

### Overview of the Financial Statements.

This narrative overview 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 required 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 fiscal periods (e.g., uncollected taxes, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, 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 general government, public safety, public works, public welfare, city services and education. The business-type activities of the City include water and sewer, electric department, and airport. The government-wide financial statements can be found on pages 11 through 12 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and a fiduciary fund.



**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of 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 City's near-term financing decisions. Both the governmental fund balance sheet and 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 fifteen (15) individual governmental funds. Fourteen (14) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. 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 and non-major governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 13 through 24 of this report.

The City adopts an annual appropriation budget for its General and special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains proprietary funds including enterprise funds to track costs of specific activities that generate their own revenue. 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 the water/sewer, airport, and electric department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer, electric and airport, (with the airport shown as a non-major fund) which are shown as major funds of the City. The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 83 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 86 through 121 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by **\$78,729,846** at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (**68%**) reflects its investment in capital assets (e.g. land, buildings, 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 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 used to liquidate these liabilities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Assets:</b>						
Current Assets	\$ 19,077,591	11,526,271	19,203,481	28,719,831	38,281,072	40,246,102
Bond Issue Cost (Net of Accum. Amortization)	120,690	4,064	1,940,163	1,805,738	2,060,853	1,809,802
Plant and Equipment (Net of Accum. Depreciation)	13,126,862	13,814,637	79,363,353	69,560,565	92,490,215	83,375,202
<b>Total Assets</b>	<b>32,325,143</b>	<b>25,344,972</b>	<b>100,506,997</b>	<b>100,086,134</b>	<b>132,832,140</b>	<b>125,431,106</b>
<b>Liabilities:</b>						
Current Liabilities	4,673,103	4,136,163	9,535,721	9,145,104	14,208,824	13,281,267
Other Liabilities	9,047,086	2,996,075	30,846,384	32,303,030	39,893,470	35,299,105
<b>Total Liabilities</b>	<b>13,720,189</b>	<b>7,132,238</b>	<b>40,382,105</b>	<b>41,448,134</b>	<b>54,102,294</b>	<b>48,580,372</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	4,609,854	11,194,421	49,348,344	38,582,426	53,958,198	49,776,847
Unrestricted	13,995,100	7,018,313	10,776,548	20,055,574	24,771,648	27,073,887
<b>Total Net Assets</b>	<b>\$ 18,604,954</b>	<b>18,212,734</b>	<b>60,124,892</b>	<b>58,638,000</b>	<b>78,729,846</b>	<b>76,850,734</b>

At the end of the current fiscal year, the City reports positive balances in all net asset categories.

The government's net assets **increased \$1,879,112** during the current fiscal year. Of the total change governmental activities increased **\$392,220** while business type activities increased **\$1,486,892**.

The following is a summary of financial activities for the City during the 2009 fiscal year:

<p style="text-align: center;"><b>City of Elizabethton</b>  <b>CHANGE IN NET ASSETS</b>  <b>As of June 30, 2009</b></p>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
<b>Revenues</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Program Revenues:						
Charges for Services	\$ 2,079,922	1,980,490	59,673,864	53,113,524	61,753,786	55,094,014
Operating Grants	315,366	634,089	-	-	315,366	634,089
Capital Grants	93,220	60,697	871,820	652,044	965,040	712,741
Total Program Revenues	2,488,508	2,675,276	60,545,684	53,765,568	63,034,192	56,440,844
General Revenues:						
Property Taxes	3,921,523	4,061,546	-	-	3,921,523	4,061,546
Other Taxes	5,259,178	4,414,668	-	-	5,259,178	4,414,668
Miscellaneous	2,695,318	2,426,740	493,865	601,753	3,189,183	3,028,493
Total General Revenues	11,876,019	10,902,954	493,865	601,753	12,369,884	11,504,707
<b>Total Revenues</b>	<b>14,364,527</b>	<b>13,578,230</b>	<b>61,039,549</b>	<b>54,367,321</b>	<b>75,404,076</b>	<b>67,945,551</b>
<b>Expenses - Governmental Activities</b>						
General Government	2,313,294	2,312,896	-	-	2,313,294	2,312,896
Public Safety	4,761,540	4,691,754	-	-	4,761,540	4,691,754
Public Works	1,975,372	1,709,253	-	-	1,975,372	1,709,253
Health and Welfare	147,151	143,386	-	-	147,151	143,386
Building Code Enforcement	279,931	267,685	-	-	279,931	267,685
Community Development	135,716	150,503	-	-	135,716	150,503
Culture and Recreation	1,317,757	1,279,218	-	-	1,317,757	1,279,218
Education	2,586,950	2,332,000	-	-	2,586,950	2,332,000
Other	575,514	511,202	-	-	575,514	511,202
Interest on Long-Term Debt	228,870	120,050	-	-	228,870	120,050
<b>Total Governmental Activities</b>	<b>14,322,095</b>	<b>13,517,947</b>	<b>-</b>	<b>-</b>	<b>14,322,095</b>	<b>13,517,947</b>
<b>Business-Type Activities:</b>						
Water and Sewer	-	-	6,891,218	6,421,106	6,891,218	6,421,106
Electric Department	-	-	51,200,732	44,584,278	51,200,732	44,584,278
Airport	-	-	1,110,919	1,101,139	1,110,919	1,101,139
<b>Total Business-Type Activities</b>	<b>-</b>	<b>-</b>	<b>59,202,869</b>	<b>52,106,523</b>	<b>59,202,869</b>	<b>52,106,523</b>
<b>Total Expenses</b>	<b>14,322,095</b>	<b>13,517,947</b>	<b>59,202,869</b>	<b>52,106,523</b>	<b>73,524,964</b>	<b>65,624,470</b>
Transfers	349,788	367,314	(349,788)	(367,314)	-	-
<b>Change in Net Assets</b>	<b>392,220</b>	<b>427,597</b>	<b>1,486,892</b>	<b>1,893,484</b>	<b>1,879,112</b>	<b>2,321,081</b>
Net Assets, Beginning	18,212,734	17,785,137	58,638,000	56,522,016	76,850,734	74,307,153
Prior period adjustments	-	-	-	222,500	-	222,500
<b>Net Assets, Ending</b>	<b>\$ 18,604,954</b>	<b>18,212,734</b>	<b>60,124,892</b>	<b>58,638,000</b>	<b>78,729,846</b>	<b>76,850,734</b>

**Governmental Activities.** Governmental activities increased the City's net assets by **\$392,220**, thereby accounting for **20%** of the total growth in the net assets of the City. Notes on this can be found in Note 2 on pages 45 through 46 of this report.

**Business-type activities.** . Business-type activities increased the City's net assets by **\$1,486,892** accounting for **80%** of the total growth in the City's net assets. Key elements of this increase are as follows:

- Elizabethton Electric Department achieved a net income and contributed **67%** of the total growth in net assets for business-type activities

#### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$14,232,837**. Of this amount, **\$11,171,656** is designated to indicate that it has already been committed to: (1) **future debt service (\$2,744,789)**, (2) **industrial development (\$8,114)**, (3) **retirement (\$553,742)**, (4) **Police (\$1,180)**, (5) **Sidewalks (\$11,774)**, (6) **Christmas Tree (\$180)**, (7) **Schools (\$7,487,716)**, (8) **Library (\$50,605)**, and (9) **OPEB (\$313,556)**.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached **\$12,912,658**, including **\$11,171,656** committed for specific purposes. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents **12%** of total general fund expenditures and transfers out, while total fund balance represents **49%** of that same amount.

Non-major (other) governmental funds have a fund balance of **\$1,320,179**. The net **increase** in fund balance during the current year was **\$174,607**. This net **increase** is primarily attributed to **Drug Fund (\$84,200)**, **Police Equipment Fund (\$57,096)** and **Sanitation Fund (\$34,357)**.

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

Unrestricted net assets of the proprietary funds at the end of the year amounted to **\$10,776,548**. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

#### General Fund Budgetary Highlights

**Original and Final Budgeted Amounts.** Differences between the original budget and the final amended budget represent a **\$470,000 increase** in appropriations and include the following:

<b>\$ 125,000</b>	<b>Funding to cover increases in fuel costs</b>
<b>42,000</b>	<b>Funding to cover increases in electricity</b>
<b>12,000</b>	<b>Funding for legal services</b>
<b>10,000</b>	<b>Funding to cover increases in Stand By / On Call</b>
<b>9,300</b>	<b>Funding to cover paying agents fees</b>
<b>9,000</b>	<b>Funding for increases in Repair/Maintenance Building/Grounds</b>

Of this **increase**, most of the cost was funded from local and state shared revenues.

One measure of a general fund budget is to compare revenue generated by departments with total expenditures of the department to determine the amount of supplement required to fund the department. The following charts do that comparison for the year ending June 30, 2009.

**PROGRAM GENERATED REVENUE  
and EXPENSES  
(Difference in Revenue Generated & Expenses  
are made up from the General Fund Appropriation)**

General Government	2009		General Fund Subsidy
	Expenses	Revenues	
General Government	2,313,294	883,135	1,430,159
Public Safety	4,761,540	462,401	4,299,139
Public Works	1,975,372	827,679	1,147,693
Health & Welfare	147,151	17,122	130,029
Culture & Recreation	1,317,757	93,220	1,224,537
<b>Total General Fund Subsidy</b>			<b>8,231,557</b>

Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to **\$92,490,215** (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, transmission and power distribution system, garbage containers, infrastructure and construction in progress.

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

- Construction of electric infrastructure.
- Acquisition of water and sewer vehicles.
- Construction of water and sewer lines.
- Acquisition of Electric vehicles.
- Acquisition of new water and sewer telemetry.
- Acquisition of land and building purchases.

**City of Elizabethton  
Total Net Capital Assets  
as of June 30, 2009**

	Governmental		Business		Total	
	2009	2008	2009	2008	2009	2008
Net Capital Assets						
Land	\$ 2,217,604	2,217,604	2,290,969	1,975,917	4,508,573	4,193,521
Library Infrastructure	543,896	574,487	-	-	543,896	574,487
Construction in Progress	368,717	299,346	15,649,271	8,138,926	16,017,988	8,438,272
						-
Buildings	3,720,568	3,900,166	15,674,300	16,104,002	19,394,868	20,004,168
Lines & Transmissions	-	-	40,560,634	40,505,391	40,560,634	40,505,391
Plant	-	-	2,023,938	278,664	2,023,938	278,664
Motor	1,257,398	1,485,778	2,080,459	1,769,076	3,337,857	3,254,854
Office	299,826	355,478	263,944	319,557	563,770	675,035
Other Improvements	-	-	819,482	468,588	819,482	468,588
Furniture	-	-	356	444	356	444
Infrastructure	4,718,853	4,981,778	-	-	4,718,853	4,981,778
<b>Total Net Capital Assets</b>	<b>\$ 13,126,862</b>	<b>13,814,637</b>	<b>79,363,353</b>	<b>69,560,565</b>	<b>92,490,215</b>	<b>83,375,202</b>

Additional information on the City's capital assets can be found in Note 6 on pages 51 through 54 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of **\$39,893,470**. All of this debt is backed by the full faith and credit of the government.

City of Elizabethton  
Debt Outstanding  
As of June 30, 2009

	<b>Governmental Funds</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b><u>Outstanding Debt</u></b>						
General Obligation	\$ 6,890,000	685,000	-	-	6,890,000	685,000
Notes Payable	1,747,698	1,939,281	2,419,984	2,998,197	4,167,682	4,937,478
Revenue Bonds	-	-	27,297,607	28,187,114	27,297,607	28,187,114
<b>Total Outstanding Debt</b>	<b>\$ 8,637,698</b>	<b>\$ 2,624,281</b>	<b>29,717,591</b>	<b>31,185,311</b>	<b>38,355,289</b>	<b>33,809,592</b>

The City's total debt **increased \$4,545,697 (13%)** during the current fiscal year. The increase was for school improvement bonds issued on behalf of Elizabethton School System. At the same time, the citizens of Elizabethton voted to increase our local option sales tax percentage by 0.5%. City Council voted to restrict this increase to fund other capital projects of the school system for the next ten years. The City maintains an '**A3**' rating from Moody's Investors Service and Standard & Poor's rating of **A+**, for its General Obligation Debt.

The City is **not** subject to debt limitations imposed by its Charter. Additional information on the City's long-term debt can be found in Note 9 on pages 58 through 68 of this report.

#### **Economic Factors and Next Year's Budget and Rates**

- The unemployment rate for the metropolitan statistical area is currently **10.6%**, which is an **increase of 3.8%** from a year ago. This compares to the state's average unemployment rate of 10.5% as of October 2009.
- Inflationary trends in the region are comparable to national indexes.
- New construction permitted and inspected over the previous year was **\$3.1** million, including **94 permits issued**.
- Local sales tax collections is expected to decline approximately **3%** in fiscal year 2010 due to the downturn of the economy.

All of these factors were considered in preparing the City's budget for fiscal year 2009-10.

During the current fiscal year, unreserved fund balance in the general fund **decreased \$460,374**.

As the result of a water and sewer cost rate study by the city finance director, water and sewer rates were recommended to be adjusted up by 3% for fiscal year 2009-10 to fund inflationary costs associated with operations and planned capital improvements. Water rate adjustments were implemented by council with a rate increase of 10% and rate structure change. Residential garbage collection rates, as well as commercial and industrial collection rates, remained steady.

Discretely Presented Component Units

**-EDUCATION FUND-**

Detailed audit information about the Elizabethton City School System can be obtained by contacting the school system at:

Elizabethton City Schools  
804 S. Watauga Avenue  
Elizabethton, TN 37643  
Phone (423) 547-8000

**-GOLF COURSE-**

Detailed audit information about the Elizabethton Municipal Golf Course can be obtained by contacting the golf course at:

Elizabethton Municipal Golf Course  
185 Buck VanHuss Drive  
Elizabethton, TN 37643  
Phone (423) 542-8051

Other Separately Issued Reports

**-AIRPORT-**

Detailed audit information about the Elizabethton Municipal Airport can be obtained by contacting the airport at:

Elizabethton Municipal Airport  
150 Airport Road  
Elizabethton, TN 37643  
Phone (423) 543-2801

**-ELECTRIC DEPARTMENT-**

Detailed audit information about the Elizabethton Electric Department can be obtained by contacting the electric department at:

City of Elizabethton  
136 S. Sycamore St.  
Elizabethton, TN 37643  
Phone (423) 542-1516

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Elizabethton, Director of Finance, 136 South Sycamore Street, Elizabethton, TN 37643.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF NET ASSETS  
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Elizabethton Board of Education	Elizabethton Municipal Golf Course
<b>ASSETS</b>					
Cash and Cash on Hand	\$ 997,204	2,283,445	3,280,649	768,080	62,681
Certificates of Deposit - Long - Term	2,005,684	7,992,762	9,998,446	-	-
Investments	712,806	845,564	1,558,370	-	-
Receivables (Net of allowances for uncollectibles)					
Taxes	4,262,656	-	4,262,656	2,009,037	-
Accounts	40,689	3,802,469	3,843,158	20,352	-
Notes	211,589	-	211,589	-	-
Internal Balances	(73,966)	73,966	-	-	-
Due from Other Governments	1,257,262	273,345	1,530,607	1,064,562	-
Inventories	24,548	1,322,577	1,347,125	34,276	10,716
Prepaid Expense	2,813	8,252	11,065	-	291
Restricted Assets					
Investments	9,636,306	-	9,636,306	-	-
Cash	-	2,601,101	2,601,101	-	-
Bond Issue Cost (Net of Accumulated Amortization)	120,690	1,940,163	2,060,853	-	-
Capital Assets					
Land	2,217,604	2,290,969	4,508,573	216,170	-
Construction In Progress	368,717	15,649,271	16,017,988	255,706	-
Library Infrastructure	543,896	-	543,896	-	-
Buildings and Improvements	6,450,759	28,221,722	34,672,481	15,445,954	72,334
Motor Equipment	4,543,761	7,498,622	12,042,383	970,055	596,293
Office Equipment	1,887,186	921,372	2,808,558	-	13,442
Infrastructure	10,804,297	69,601,979	80,406,276	-	1,424,926
Less Accumulated Depreciation	(13,689,358)	(44,820,582)	(58,509,940)	(8,546,910)	(1,391,443)
Total Assets	<u>32,325,143</u>	<u>100,506,997</u>	<u>132,832,140</u>	<u>12,237,282</u>	<u>789,240</u>
<b>LIABILITIES</b>					
Accounts Payable	85,227	4,079,526	4,164,753	543,404	12,063
Cash Overdraft	-	-	-	65,818	-
Customer Deposits	-	2,601,226	2,601,226	-	-
Advance from TVA	-	1,429,484	1,429,484	-	-
Accrued Expenses	83,770	911,284	995,054	-	13,074
Due to Other Governments	404,444	-	404,444	-	-
Other Liabilities	4,388	280,535	284,923	-	-
Unearned Revenues	3,895,444	65,012	3,960,456	1,832,037	130,239
OPEB Liability	199,830	168,653	368,483	102,941	-
Long-term Liabilities					
Due within one year	1,003,534	2,021,415	3,024,949	1,342	59,594
Due within more than one year	8,043,552	28,824,970	36,868,522	35,169	235,245
Total Liabilities	<u>13,720,189</u>	<u>40,382,105</u>	<u>54,102,294</u>	<u>2,580,711</u>	<u>450,215</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	4,609,854	49,348,344	53,958,198	8,340,975	420,713
Unrestricted	<u>13,995,100</u>	<u>10,776,548</u>	<u>24,771,648</u>	<u>1,315,596</u>	<u>(81,688)</u>
TOTAL NET ASSETS	<u>\$ 18,604,954</u>	<u>60,124,892</u>	<u>78,729,846</u>	<u>9,656,571</u>	<u>339,025</u>

The notes to the financial statements are an integral part of this statement.



CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Elizabethton School Board	Municipal Golf Course
<b>Primary Government</b>									
Governmental Activities									
General Government	\$ 2,313,294	883,135	-	-	(1,430,159)	-	(1,430,159)	-	-
Public Safety	4,761,540	444,687	17,714	-	(4,299,139)	-	(4,299,139)	-	-
Public Works	1,975,372	553,375	274,304	-	(1,147,693)	-	(1,147,693)	-	-
Health and Welfare	147,151	17,122	-	-	(130,029)	-	(130,029)	-	-
Building Code Enforcement	279,931	-	-	-	(279,931)	-	(279,931)	-	-
Community Development	135,716	181,603	23,348	-	69,235	-	69,235	-	-
Culture and Recreation	1,317,757	-	-	93,220	(1,224,537)	-	(1,224,537)	-	-
Education	2,586,950	-	-	-	(2,586,950)	-	(2,586,950)	-	-
Other	575,514	-	-	-	(575,514)	-	(575,514)	-	-
Interest on Long-Term Debt	228,870	-	-	-	(228,870)	-	(228,870)	-	-
Total Governmental Activities	14,322,095	2,079,922	315,366	93,220	(11,833,587)	-	(11,833,587)	-	-
Business-Type Activities									
Water and Sewer	6,891,218	6,354,084	-	33,614	-	(503,520)	(503,520)	-	-
Electric Department	51,200,732	52,304,639	-	-	-	1,103,907	1,103,907	-	-
Airport	1,110,919	1,015,141	-	838,206	-	742,428	742,428	-	-
Total Business-Type Activities	59,202,869	59,673,864	-	871,820	-	1,342,815	1,342,815	-	-
Total Primary Government	\$ 73,524,964	61,753,786	315,366	965,040	(11,833,587)	1,342,815	(10,490,772)	-	-
<b>Component Units</b>									
Education - School Board	\$ 18,499,156	675,333	4,768,004	669,946	-	-	-	(12,385,873)	-
Golf Course	592,951	574,912	-	-	-	-	-	-	(18,039)
Total Component Units	\$ 19,092,107	1,250,245	4,768,004	669,946	-	-	-	(12,385,873)	(18,039)
General Revenues									
Taxes									
Property Taxes					\$ 3,921,523	-	3,921,523	1,839,641	-
Sales Taxes					4,507,121	-	4,507,121	1,226,442	-
In-Lieu of Taxes					29,903	-	29,903	24,998	-
Business Taxes					259,183	-	259,183	-	-
Other Taxes					462,971	-	462,971	23,697	-
Other Local Governments					67,687	-	67,687	2,753	-
State Aid					1,943,782	-	1,943,782	9,312,012	-
Federal Aid					-	-	-	-	-
Unrestricted Investment Earnings					149,530	493,865	643,395	24,278	140
Miscellaneous					519,837	-	519,837	6,853	-
Special Items					14,482	-	14,482	21,105	-
Transfers					349,788	(349,788)	-	-	-
Total General Revenues, Special Items and Transfers					12,225,807	144,077	12,369,884	12,481,779	140
Change in Net Assets									
Net Assets - Beginning					392,220	1,486,892	1,879,112	95,906	(17,899)
Prior Period Adjustment					18,212,734	58,638,000	76,850,734	9,466,745	356,924
					-	-	-	93,920	-
Net Assets - Ending					\$ 18,604,954	60,124,892	78,729,846	9,656,571	339,025

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 312,026	685,178	997,204
Certificates of Deposit	2,005,684	-	2,005,684
Investments	633,604	79,202	712,806
Receivables (Net of Allowances for Uncollectibles)			
Taxes	4,262,656	-	4,262,656
Accounts	16,712	23,977	40,689
Notes	211,589	-	211,589
Due From Other Funds	42,084	-	42,084
Due From Other Governments	1,251,032	6,230	1,257,262
Inventory	24,548	-	24,548
Prepaid Expenses	2,813	-	2,813
Restricted Assets Investments	9,102,234	534,072	9,636,306
<b>TOTAL ASSETS</b>	<b>\$ 17,864,982</b>	<b>1,328,659</b>	<b>19,193,641</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 81,943	3,284	85,227
Due to Other Governments	404,444	-	404,444
Other Liabilities	4,388	-	4,388
Deferred Revenues	4,350,695	-	4,350,695
Due to Other Funds	110,854	5,196	116,050
<b>TOTAL LIABILITIES</b>	<b>4,952,324</b>	<b>8,480</b>	<b>4,960,804</b>
<b>FUND BALANCES</b>			
Unreserved - Designated for Sidewalk	11,774	-	11,774
Unreserved - Designated for Retirement	553,742	-	553,742
Unreserved - Designated for Debt Service	2,744,789	-	2,744,789
Unreserved - Designated for Industrial Development	8,114	-	8,114
Unreserved - Designated for Police	1,180	-	1,180
Unreserved - Designated for Christmas Tree	180	-	180
Unreserved - Designated for Schools	7,487,716	-	7,487,716
Unreserved - Designated for Library	50,605	-	50,605
Unreserved - Designated for OPEB	313,556	-	313,556
Unreserved - Undesignated Reported in Special Revenue Funds	-	374,442	374,442
Unreserved - Undesignated Reported in Capital Project Funds	-	915,604	915,604
Unreserved - Undesignated Reported in Permanent Fund	-	30,133	30,133
Unreserved - Undesignated Reported in General Fund	1,741,002	-	1,741,002
<b>TOTAL FUND BALANCES</b>	<b>12,912,658</b>	<b>1,320,179</b>	<b>14,232,837</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,864,982</b>	<b>1,328,659</b>	<b>19,193,641</b>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

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Total Fund Balances - Governmental Funds	\$14,232,837
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$26,816,220 and the accumulated depreciation is \$(13,689,358)	13,126,862
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	455,251
Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds.	(83,770)
Governmental funds report the effect of debt issuance costs when debt is issued. These amounts are amortized over the life of the debt for the statement of net assets.	120,690
OPEB benefits represent liabilities of the City that are not recorded at the fund level.	(199,830)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of bonds payable, notes payable, and compensated absences.	<u>(9,047,086)</u>
Total Net Assets - Governmental Activities	<u><u>\$18,604,954</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 9,130,476	-	9,130,476
Licenses and Permits	130,030	-	130,030
Intergovernmental	2,052,531	-	2,052,531
Charges for Services	1,851,830	553,375	2,405,205
Donations	-	14,482	14,482
Grant Income	-	367,524	367,524
Fines and Forfeitures	238,585	206,102	444,687
Miscellaneous	519,112	725	519,837
Interest Earned	136,425	13,105	149,530
TOTAL REVENUES	<u>14,058,989</u>	<u>1,155,313</u>	<u>15,214,302</u>
EXPENDITURES			
General Government	2,185,859	844,730	3,030,589
Public Safety	4,410,536	45,698	4,456,234
Public Works	1,570,336	-	1,570,336
Health and Welfare	145,815	-	145,815
Building Code Enforcement	278,497	-	278,497
Community Development	134,677	-	134,677
Culture and Recreation	1,178,826	-	1,178,826
Education	2,586,950	-	2,586,950
Special Appropriations	202,146	-	202,146
Debt Service	1,011,800	-	1,011,800
Other Operating Expenses	-	373,368	373,368
Capital Outlay	16,178	94,410	110,588
TOTAL EXPENDITURES	<u>13,721,620</u>	<u>1,358,206</u>	<u>15,079,826</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	6,750,000	-	6,750,000
Transfers In	565,788	377,500	943,288
Transfers Out	(593,500)	-	(593,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,722,288</u>	<u>377,500</u>	<u>7,099,788</u>
Net Change in Fund Balances	7,059,657	174,607	7,234,264
Fund Balances - Beginning	<u>5,853,001</u>	<u>1,145,572</u>	<u>6,998,573</u>
Fund Balances - Ending	<u>\$ 12,912,658</u>	<u>1,320,179</u>	<u>14,232,837</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009

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Total Net Change in Fund Balances - Governmental Funds	\$ 7,234,264
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$767,772 exceeds capital outlay of \$110,588.	(657,184)
The net effect of various transaction involving capital assets (i.e., sales, trade-ins) is a decrease to net assets.	(30,591)
Because some property taxes and grants will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount for the current year.	50,225
In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current year.	(37,594)
Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	736,583
Proceeds from the sale of bonds and notes are revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets.	(6,750,000)
Interest expense reported in the statement of activities does not require the use of current financial resources. Therefore, it is not reported as an expenditure in the governmental funds.	(70,279)
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 the governmental funds: OPEB Liability	(199,830)
Governmental funds report debt issuance cost when debt is first issued. These amounts are deferred and amortized in the statement of activities. This amount is the net effect of the treatment of long-term debt items.	<u>116,626</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 392,220</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes				
General Property Taxes				
Current Property Taxes	\$ 4,125,173	4,125,173	3,488,304	(636,869)
Delinquent Property Taxes	150,000	164,908	333,534	168,626
Interest, Penalty and Attorney Fees	60,455	63,055	49,460	(13,595)
Total General Property Taxes	4,335,628	4,353,136	3,871,298	(481,838)
General Sales Tax				
Local Option Sales Tax	3,787,361	3,787,361	3,381,441	(405,920)
Selective Use and Sales Tax				
Local Beer Tax 17%	420,000	461,200	462,971	1,771
In-Lieu of Taxes				
Elizabethton Housing Authority	18,631	18,631	12,545	(6,086)
AY McDonald	6,000	6,000	6,000	-
Brookhaven Homes for Elderly	3,300	3,300	3,358	58
Star Industry	8,000	8,000	8,000	-
Sycamore Shoals State Park	634	634	-	(634)
Total In-Lieu of Taxes	36,565	36,565	29,903	(6,662)
Gross Receipts and Business Licenses				
Gross Receipts Taxes	260,000	260,000	259,183	(817)
Local Option Schools Tax				
Local Option	-	-	1,125,680	1,125,680
Total Taxes	8,839,554	8,898,262	9,130,476	232,214

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
REVENUES (CONTINUED)	Original	Final		
Licenses and Permits				
Licenses				
Business License	7,500	7,500	9,315	1,815
Interest and Penalty	3,050	3,050	3,731	681
Beer License	4,125	4,125	4,000	(125)
Recording Fee	3,100	3,100	3,345	245
Electric, Gas and Plumbing	1,300	1,300	570	(730)
Mixed Drinks Sales Permit	800	800	-	(800)
Fireworks	1,200	1,200	-	(1,200)
Total Licenses	21,075	21,075	20,961	(114)
Special Permits				
Electrical	7,500	14,700	14,667	(33)
Building	44,000	84,005	84,090	85
Plumbing	2,670	4,270	4,295	25
Gas	750	750	957	207
Demolition	500	500	350	(150)
Curb Cuts	90	90	150	60
Street Cuts	300	300	-	(300)
Miscellaneous Permits	450	2,275	2,285	10
Pool	-	-	175	175
Fireworks	-	1,500	2,100	600
Total Special Permits	56,260	108,390	109,069	679
Total Licenses and Permits	77,335	129,465	130,030	565
Intergovernmental Revenue				
Federal through State				
City Match	-	23,500	-	(23,500)
HIDTA	-	10,500	17,714	7,214
Hazard Mitigation	22,450	22,450	23,348	898
Total Federal through State	22,450	56,450	41,062	(15,388)

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Intergovernmental Revenue (Continued)				
State Awards				
TN Dept. of Tran.-Highway Maint.	56,000	62,200	62,185	(15)
LSTA Library Matching Grant	4,200	4,200	-	(4,200)
Total State Awards	60,200	66,400	62,185	(4,215)
State Shared Revenues				
City Streets	33,000	33,000	30,155	(2,845)
Public Safety Supplemental Pay	33,000	39,600	39,600	-
Mixed Drink Tax	40,000	40,000	29,483	(10,517)
Income Tax	130,000	220,850	220,824	(26)
Sales Tax	1,018,500	1,018,500	917,670	(100,830)
State Street Aid	439,400	439,400	363,493	(75,907)
Beer Tax	12,000	12,000	7,311	(4,689)
TVA Replacement Tax	110,000	135,707	136,780	1,073
Excise Tax	150,000	150,000	134,497	(15,503)
Telecommunications Tax	2,410	2,410	1,784	(626)
Total State Shared Revenues	1,968,310	2,091,467	1,881,597	(209,870)
Local Government Revenue				
Carter County-Animal Shelter	42,000	42,000	13,536	(28,464)
Carter County-Library	31,588	31,588	31,588	-
Carter County-Park & Recreation	45,502	45,502	22,563	(22,939)
Total Local Government Revenue	119,090	119,090	67,687	(51,403)
Total Intergovernmental Revenue	2,170,050	2,333,407	2,052,531	(280,876)

(Continued)



CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Charges for Services				
Various General Government Charges				
Garage Services	458,918	469,718	467,316	(2,402)
Utility Services	150,000	220,000	247,126	27,126
Elizabethton Water and Sewer Division	900,000	900,000	900,000	-
Special Police Services	31,250	31,250	38,246	6,996
East TN Railroad Authority	400	400	-	(400)
Carter County Vandalism Restitution	-	-	417	417
Total Various General Government Charges	1,540,568	1,621,368	1,653,105	31,737
Health				
Dog Tags	1,950	1,950	1,605	(345)
Animal Control and Shelter Fees	13,000	26,000	15,517	(10,483)
Total Health	14,950	27,950	17,122	(10,828)
Culture and Recreation				
Swimming Pool-Season Tickets	3,346	3,346	1,138	(2,208)
Swimming Pool-Daily Tickets	28,347	28,347	25,799	(2,548)
Swimming Pool-Concessions	6,857	6,857	9,594	2,737
Swimming Lessons	3,013	3,013	-	(3,013)
Baseball-Season Tickets	5,536	5,536	5,071	(465)
Baseball-Daily Tickets	14,000	14,000	13,114	(886)
Baseball-Souvenir Sales	13,000	13,000	12,815	(185)
Baseball-Baseball Cards	5,000	5,000	797	(4,203)
Baseball-Advertising	20,000	20,000	22,025	2,025
Parks-Concession Sales	45,000	45,000	37,413	(7,587)
Other Miscellaneous -Park & Recreation	26,243	26,243	15,619	(10,624)
Vendor Fees	-	400	374	(26)
League Entrance Fees	21,495	21,495	24,805	3,310
Rental	1,553	1,553	13,039	11,486
Total Culture and Recreation	193,390	193,790	181,603	(12,187)
Total Charges for Services	1,748,908	1,843,108	1,851,830	8,722

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Fines and Forfeitures				
Non-Moving Traffic Violations	9,950	9,950	2,831	(7,119)
Moving Traffic Fines	100,000	100,000	107,823	7,823
Fines - Defense Driving School	40,000	40,000	52,260	12,260
Fines - Impounded Vehicle Fees	300	300	-	(300)
Court Fines	70,000	70,000	57,194	(12,806)
Illegal Beer Sales	2,000	2,000	-	(2,000)
Sex Offender	-	-	600	600
Library Fines	15,000	15,000	17,127	2,127
Storm Water	-	-	750	750
Total Fines and Forfeitures	237,250	237,250	238,585	1,335
Interest Earnings				
Investments	33,200	93,700	136,425	42,725
Total Interest Earnings	33,200	93,700	136,425	42,725
Miscellaneous Revenue				
Rents and Royalties				
TV Cable Franchise	150,000	150,000	150,182	182
Natural Gas Franchise	290,000	290,000	213,230	(76,770)
City Property	-	-	10	10
Tennessee Vocational Training Ctr	43,725	43,725	78,960	35,235
Total Rents and Royalties	483,725	483,725	442,382	(41,343)
Other				
Miscellaneous	68,422	69,422	18,934	(50,488)
Donations	3,000	53,605	54,310	705
Sale of Scrap Metal	14,000	3,500	3,486	(14)
Tri County Industrial Park	42,503	42,503	-	(42,503)
Total Other Revenue	127,925	169,030	76,730	(92,300)
Total Miscellaneous Revenue	611,650	652,755	519,112	(133,643)
TOTAL REVENUES	13,717,947	14,187,947	14,058,989	(128,958)

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General Government				
City Council	67,577	67,577	61,093	6,484
City Judge	16,874	17,424	16,948	476
City Manager	191,847	201,847	198,906	2,941
Financial	824,015	666,015	522,113	143,902
Fleet Maintenance	660,292	785,292	633,345	151,947
Management Information Systems	135,406	135,406	120,191	15,215
Purchasing	164,703	164,703	136,568	28,135
City Attorney	62,720	74,820	74,230	590
Personnel	241,130	221,130	195,039	26,091
Electric Department Services	150,000	260,760	227,426	33,334
Capital Outlay	-	-	16,178	(16,178)
Total General Government	2,514,564	2,594,974	2,202,037	392,937
Public Safety				
Police Patrol	2,602,852	2,629,852	2,597,700	32,152
Fire Prevention	1,881,001	1,881,001	1,812,836	68,165
Total Public Safety	4,483,853	4,510,853	4,410,536	100,317
Public Works				
Street Maintenance	785,940	792,940	748,969	43,971
Parks and Special Events	4,500	4,500	3,784	716
Engineering	288,593	288,593	292,694	(4,101)
Total Public Works	1,079,033	1,086,033	1,045,447	40,586
State Street Aid				
Crushed Stone and Gravel	6,000	6,000	5,101	899
Concrete Products	8,000	16,000	13,006	2,994
Salt/Sodium Chloride	30,000	50,000	93,947	(43,947)
Asphalt-Hot Mix	20,000	12,000	7,214	4,786
Electricity	364,500	409,500	405,621	3,879
Total State Street Aid	428,500	493,500	524,889	(31,389)

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Health and Welfare				
Animal Shelter Operations	64,656	76,656	75,460	1,196
Contributions to Non-Profit Organizations	78,955	78,955	70,355	8,600
Total Health and Welfare	143,611	155,611	145,815	9,796
Building Code Enforcement				
Enforcement	299,572	297,722	278,497	19,225
Total Building Code Enforcement	299,572	297,722	278,497	19,225
Community Development				
Administration	152,686	154,536	134,677	19,859
Total Community Development	152,686	154,536	134,677	19,859
Culture and Recreation				
Administration	75,192	75,192	69,849	5,343
Swimming Pools	62,238	84,215	80,803	3,412
Athletic Fields and Parks	390,828	386,611	381,217	5,394
Recreation Center	120,491	117,991	113,587	4,404
Leagues	116,544	135,584	127,155	8,429
Public Library	417,101	417,101	406,215	10,886
Total Culture and Recreation	1,182,394	1,216,694	1,178,826	37,868
Education	2,332,000	2,586,951	2,586,950	1
Debt Service				
Principal	736,584	736,584	736,583	1
Interest	161,629	141,733	141,732	1
Paying Agent Fees	-	9,235	133,485	(124,250)
Total Debt Service	898,213	887,552	1,011,800	(124,248)

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary & GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Special Appropriations to Other Governmental Entities	202,147	202,147	202,146	1
TOTAL EXPENDITURES	13,716,573	14,186,573	13,721,620	464,953
Excess (Deficiency) of Revenues over Expenditures	1,374	1,374	337,369	335,995
TRANSFERS				
Bond Proceeds	-	-	6,750,000	6,750,000
Elizabethton Electric - In Lieu of Taxes	689,366	689,366	565,788	(123,578)
Sanitation/Solid Waste Fund	(422,240)	(422,240)	(325,000)	97,240
Elizabethton Municipal Airport	(216,000)	(216,000)	(216,000)	-
Parks and Recreation	(52,500)	(52,500)	(52,500)	-
TOTAL TRANSFERS	(1,374)	(1,374)	6,722,288	6,723,662
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	7,059,657	7,059,657
Fund Balances, July 1, 2008	5,853,001	5,853,001	5,853,001	-
Fund Balances, June 30, 2009	<u>\$ 5,853,001</u>	<u>5,853,001</u>	<u>12,912,658</u>	<u>7,059,657</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business - Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Municipal Airport	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets				
Cash	\$ 62,679	2,135,137	85,629	2,283,445
Certificates of Deposit - Long - Term	-	7,992,762	-	7,992,762
Investments	657,486	188,078	-	845,564
Accounts Receivable-Net	379,247	3,384,502	38,720	3,802,469
Prepaid Expenses	-	-	8,252	8,252
Inventories	449,418	808,820	64,339	1,322,577
Due from Other Funds	-	68,392	-	68,392
Due from Other Governments	11,263	-	262,082	273,345
Total Current Assets	<u>1,560,093</u>	<u>14,577,691</u>	<u>459,022</u>	<u>16,596,806</u>
Capital Assets				
Land	546,025	595,994	1,148,950	2,290,969
Construction In Progress	424,783	13,176,637	2,047,851	15,649,271
Buildings and Improvements	23,198,804	2,115,978	2,906,940	28,221,722
Motor Equipment	3,560,150	3,537,837	400,635	7,498,622
Office Equipment	331,840	589,532	-	921,372
Infrastructure	19,372,429	50,229,550	-	69,601,979
Less Accumulated Depreciation	<u>(21,961,956)</u>	<u>(21,263,653)</u>	<u>(1,594,973)</u>	<u>(44,820,582)</u>
Total Capital Assets	<u>25,472,075</u>	<u>48,981,875</u>	<u>4,909,403</u>	<u>79,363,353</u>
Other Noncurrent Assets				
Restricted Cash	471,574	2,129,527	-	2,601,101
Due from Other Funds	-	77,426	-	77,426
Other Assets	122,077	1,817,831	255	1,940,163
Total Other Noncurrent Assets	<u>593,651</u>	<u>4,024,784</u>	<u>255</u>	<u>4,618,690</u>
<b>TOTAL ASSETS</b>	<u>27,625,819</u>	<u>67,584,350</u>	<u>5,368,680</u>	<u>100,578,849</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Current Liabilities				
Accounts Payable - Net	29,586	3,827,618	222,322	4,079,526
Customer Deposits	471,574	2,129,527	125	2,601,226
Other Current Liabilities	48,529	229,869	2,137	280,535
Accrued Payroll	249	85,185	1,191	86,625
Accrued Interest	564,948	259,711	-	824,659
Deferred Revenue	15,247	-	49,765	65,012
Due to Other Funds	38,574	33,278	-	71,852
Bonds Payable	740,000	705,000	-	1,445,000
Notes Payable	-	-	3,285	3,285
State Loans Payable	90,444	-	-	90,444
Capital Lease	23,350	-	-	23,350
Compensated Absences	69,240	390,096	-	459,336
Total Current Liabilities	<u>2,091,741</u>	<u>7,660,284</u>	<u>278,825</u>	<u>10,030,850</u>
Long-Term Liabilities				
Bonds Payable	8,172,414	17,575,000	-	25,747,414
Bond Discount	-	(76,284)	-	(76,284)
Bond Premium	-	181,477	-	181,477
Notes Payable - Net	-	-	923,639	923,639
State Loans Payable	1,402,616	-	-	1,402,616
Capital Lease	123,886	-	-	123,886
Advance from TVA	-	1,429,484	-	1,429,484
Compensated Absences	39,870	476,784	5,568	522,222
OPEB Liability	71,181	97,472	-	168,653
Total Long-Term Liabilities	<u>9,809,967</u>	<u>19,683,933</u>	<u>929,207</u>	<u>30,423,107</u>
<b>TOTAL LIABILITIES</b>	<u>11,901,708</u>	<u>27,344,217</u>	<u>1,208,032</u>	<u>40,453,957</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	14,919,365	30,596,682	3,832,297	49,348,344
Unrestricted	804,746	9,643,451	328,351	10,776,548
<b>TOTAL NET ASSETS</b>	<u>\$ 15,724,111</u>	<u>40,240,133</u>	<u>4,160,648</u>	<u>60,124,892</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business - Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Municipal Airport	Total Enterprise Funds
OPERATING REVENUES				
Charges for Services	\$ 6,354,084	52,304,639	1,015,141	59,673,864
OPERATING EXPENSES				
Wages and Employee Benefits	2,386,265	-	275,200	2,661,465
Purchases of Power, Water and Other	-	42,343,783	521,089	42,864,872
Other Operating Expenses	1,224,134	3,915,170	51,457	5,190,761
Maintenance	83,412	2,121,113	5,406	2,209,931
Tax Equivalent	-	389,379	-	389,379
Treatment, Transmissions and Utilities	709,709	-	60,730	770,439
Administrative	900,000	-	-	900,000
Amortization	5,327	-	-	5,327
Depreciation	1,274,887	1,581,640	144,730	3,001,257
TOTAL OPERATING EXPENSES	6,583,734	50,351,085	1,058,612	57,993,431
OPERATING INCOME (LOSS)	(229,650)	1,953,554	(43,471)	1,680,433
NONOPERATING REVENUES (EXPENSES)				
Interest Income	28,636	465,089	140	493,865
Interest Expense and Fiscal Charges	(307,484)	(831,566)	(52,307)	(1,191,357)
Other Expense	-	(18,081)	-	(18,081)
TOTAL NONOPERATING REVENUES (EXPENSES)	(278,848)	(384,558)	(52,167)	(715,573)
Income (Loss) Before Contributions and Transfers	(508,498)	1,568,996	(95,638)	964,860
Transfer to General Fund	-	(565,788)	-	(565,788)
Transfer from General Fund	-	-	216,000	216,000
Contributions - Capital Grant Revenue	33,614	-	838,206	871,820
Change in Net Assets	(474,884)	1,003,208	958,568	1,486,892
NET ASSETS, JULY 1, 2008	16,198,995	39,236,925	3,202,080	58,638,000
NET ASSETS, JUNE 30, 2009	\$ 15,724,111	40,240,133	4,160,648	60,124,892

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Municipal Airport	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 6,232,284	50,519,312	938,204	57,689,800
Cash Received from City of Elizabethton for Services	-	877,813	-	877,813
Cash Received from Rentals and Other Sales	-	764,531	-	764,531
Cash Received/Payments for Tax Equivalent	-	(203,406)	-	(203,406)
Cash Payments for Employee Services and Benefits	(2,307,588)	(159,759)	(250,641)	(2,717,988)
Cash Received/Payments for Energy Right Customers	-	45,894	-	45,894
Cash Payments to Suppliers for Goods and Services	(2,911,572)	(48,561,131)	(642,034)	(52,114,737)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,013,124	3,283,254	45,529	4,341,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,740,149)	(10,294,962)	(732,483)	(12,767,594)
Bond Issue Costs	-	313	-	313
Payments on Capital Lease	(19,962)	-	-	(19,962)
Principal Paid on Bonds	(710,000)	(175,000)	-	(885,000)
Principal Paid on Notes Payable	-	-	(490,144)	(490,144)
Interest Paid on Bonds and Notes Payable	(218,562)	(910,830)	(52,307)	(1,181,699)
Principal Paid on State Loans	(88,068)	-	-	(88,068)
Grant Proceeds	23,166	-	698,782	721,948
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,753,575)	(11,380,479)	(576,152)	(14,710,206)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(1,994)	(565,788)	-	(567,782)
Transfers from Other Funds	-	-	216,000	216,000
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(1,994)	(565,788)	216,000	(351,782)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	1,267,676	7,659,070	-	8,926,746
Interest on Investments	28,636	468,707	140	497,483
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,296,312	8,127,777	140	9,424,229
Net Increase (Decrease) in Cash	(446,133)	(535,236)	(314,483)	(1,295,852)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	980,386	4,799,900	400,112	6,180,398
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 534,253	4,264,664	85,629	4,884,546

(Continued)



CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Municipal Airport	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
NET OPERATING INCOME (LOSS)	\$ (229,650)	1,953,554	(43,471)	1,680,433
Adjustments				
Depreciation and Amortization	1,280,214	1,685,851	144,730	3,110,795
Provision for Uncollectibles	-	15,387	-	15,387
Changes in Assets and Liabilities				
(Increase) Decrease in Receivables	(121,800)	(177,774)	(7,655)	(307,229)
(Increase) Decrease in Inventory	3,096	(293,866)	(8,920)	(299,690)
Increase (Decrease) in Accounts Payable - Net	1,992	(121,638)	(4,020)	(123,666)
Increase (Decrease) in Customer Deposits	7,548	34,791	-	42,339
Increase (Decrease) in Other				
Liabilities/Accruals	(6,864)	17,369	(35,135)	(24,630)
Increase (Decrease) in Accrued Payroll	81	11,492	-	11,573
Increase (Decrease) in Deferred Revenue	(88)	45,894	-	45,806
Increase (Decrease) in OPEB Liability	71,181	97,472	-	168,653
Increase (Decrease) in Compensated Absences	7,414	14,722	-	22,136
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,013,124</u>	<u>3,283,254</u>	<u>45,529</u>	<u>4,341,907</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS				
Cash	\$ 62,679	2,135,137	85,629	2,283,445
Cash - Restricted	471,574	2,129,527	-	2,601,101
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 534,253</u>	<u>4,264,664</u>	<u>85,629</u>	<u>4,884,546</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2009

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	Military Family Support Private-Purpose Trust
	<hr/>
ASSETS	
Cash	\$ 2,722
	<hr/>
NET ASSETS	
Held in Trust for Military Families	\$ 2,722
	<hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
For the Fiscal Year Ended June 30, 2009

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ADDITIONS	
Interest	<u>\$     4</u>
TOTAL ADDITIONS	<u>     4</u>
 DEDUCTIONS	
Benefits to Military Families	<u>     -</u>
TOTAL DEDUCTIONS	<u>     0</u>
 CHANGE IN NET ASSETS	4
 NET ASSETS, JULY 1, 2008	<u>2,718</u>
 NET ASSETS, JUNE 30, 2009	<u><u>\$  2,722</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Elizabethton, Tennessee have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

City of Elizabethton, Tennessee is a municipal corporation governed by a Modified City Manager-Council form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. A discretely presented component unit is reported in separate columns to emphasize it is legally separate from the government. The funds of the Elizabethton Board of Education and the Elizabethton Municipal Golf Course are discretely presented component units. Each component unit has a June 30 year end.

Individual Component Unit Disclosures

In evaluating how to define the government, for financial reporting purposes, the City management has considered all potential component units. A component unit is an organization for which the City is financially accountable, or for which the nature and significance of their relationship with the City is such that exclusion from the City's financial statements would cause them to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria as set forth in GAAP. The City is financially accountable if it appoints a voting majority of the Organization's governing body and it is able to impose its will on the organization or there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because the City's management has determined that the City is financially accountable to those organizations.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for description) to emphasize that those entities are legally separate from the City.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units – The component units column in the government-wide financial statements include the financial data of the Elizabethton Board of Education and the Elizabethton Municipal Golf Course. They are reported in separate columns to emphasize that they are legally separate from the City. Both of the discretely presented component units serve the geographic area of Elizabethton and their corporate charter grants them legally separate corporate powers.

Complete financial statements of Elizabethton Municipal Golf Course and Elizabethton Board of Education may be obtained from their administrative offices at:

Elizabethton Municipal Golf Course  
185 Buck Van Huss Drive  
Elizabethton, TN 37643

Elizabethton Board of Education  
804 South Watauga Avenue  
Elizabethton, TN 37643-4207

Blended Component Unit

The Elizabethton Municipal Airport Authority was created in accordance with TCA Sec. 42-3-101 through 42-3-103 and Sec. 42-5-101 through 42-5-20-5. The Elizabethton Municipal Airport Authority Commissioners are appointed for five year terms by the Elizabethton City Council. The City is responsible for all Airport indebtedness.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

The City cannot impose its will on these boards since it does not have the ability to modify or approve their budgets or overrule or modify decisions of the boards. The boards are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, they are not included in the City's financial statements.

The following organizations are related organizations, which have not been included in the reporting entity.

Carter County Tomorrow

The City Manager of the City is a continuing appointment along with two City Council member appointments made by the City Council. An annual appropriation is made by the City, but the City has no direct or implied responsibility for indebtedness incurred by the Carter County Tomorrow.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Carter County Emergency 911 Communications District

The board of the Carter County Emergency 911 Communications District includes the City police chief, fire chief and one appointment by the City Council for a five year term. Included in the City annual budget process, a direct appropriation is made for necessary emergency and non-emergency dispatching of public safety and public works functions. The City is not responsible for any direct or indirect debt of the District.

Carter County Equalization Board

The City only appoints one member for a one year term. No assistance is provided to this board, and the City has no responsibility for any debts.

Health and Education Facilities Board

All seven members of the Health and Education Facilities Board are appointed by the City Council for six year terms. The Board is a non-profit corporation. No financial assistance is provided by the City.

Watauga Regional Library Board

The City Council appoints one member for a three year term. No financial assistance is provided by the City.

Solid Waste Regional Board

The City has one appointment to this Board. No financial assistance is provided by the City.

Elizabethton Housing Authority

Commissioners of the Authority are appointed by the Mayor, but the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will.

Joint Venture

Carter County Solid Waste Disposal System Board

The City appoints two members to the Board and the County appoints two members. A fifth member is jointly approved by both the City Council and the Carter County Commission. Also, the City Manager is an ex-officio member. No appropriation is made by the City to this Board. The City and County have entered into an agreement to jointly and cooperatively operate and maintain a solid waste disposal system for the duration of the life of the Campbell Hollow Solid Waste Sanitary Landfill. The proceeds of the disposal of all land and property purchased jointly will be returned in equal parts to the City and County.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units

Elizabethton Municipal Golf Course

The City owns all assets associated with the Elizabethton Municipal Golf Course (Golf Course). The Golf Course was established for the use and benefit of the citizens of Elizabethton and surrounding areas. The City, by resolution in accordance with TCA 48-51-201 (29 et. Seq.), authorized the Municipal Golf Course Board of Directors to incorporate as a non-profit, public benefit corporation. The Board of Directors manages and operates the day to day activities of the Golf Course. Membership on the Board of Directors consists of eight members elected by the membership of the public benefit corporation; three members of the Elizabethton City Council appointed by the City Council; one member elected by the women's golf association; and the director of the City's Park and Recreation Department. The City Council is ultimately responsible for all indebtedness approved for the Golf Course. The Board of Directors has the authority to borrow funds subject to the approval of the Elizabethton City Council. All revenues generated by the Elizabethton Municipal Golf Course are used exclusively for operation, maintenance and expansion of the Golf Course facilities.

The Elizabethton Board of Education

The Elizabethton City School System was created and currently operates in accordance with the provisions set forth in the TCA and the City municipal charter. The five school board members are elected at large for four year terms. The citizens of the City are the primary beneficiaries of the school system. The City's General Fund contributes a sizable appropriation to the General Purpose School Fund. Other school system revenue is provided by state, federal and other statutory sources. Also, the City is responsible for all applicable indebtedness incurred by the System.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue also has a period of availability of 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Certain revenues are required to be recognized in the General Fund as a receivable at June 30 and either as revenue or deferred revenue, depending upon revenue recognition policies of the entity. The following items for the City are recorded: property tax, In-Lieu of tax: TVA, State Beer Tax, Telecommunications, Income Tax, Local Beer Tax, Mixed Drink and Gasoline Tax. Circuit Clerk/Clerk & Master Collections, litigation tax, business tax, bank excise tax, fines, forfeitures and penalties and performance bond forfeiture are required to be recognized; however, they are not measurable or estimatable and are not generally material to the financial statements. Therefore, they are not recognized as revenue until received.



CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Elizabethton Electric Department fund* is used to account for provisions of electric service to residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and billing and collection.

The *water and sewer fund* is used to account for the provision of water and sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and financing.

Additionally, the government reports the following fund type:

The internal service fund is used to account for the allocation of shared human capital and related benefits of the Electric Department. This fund has been closed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

The City's fiduciary fund is the Military Family Support - Private Purpose Trust fund. This fund is for the benefit of family members of the local National Guard unit.

Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits. The certificates of deposit represent those deposits with an original maturity greater than three months and less than one year. The City's investment policy authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agencies and the State Treasurer's Investment Pool. Certificates of Deposit with original maturities greater than ninety days from commercial banks are also recorded as certificates of deposit.

Investments are stated at fair value. The Local Government Investment Pool operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. All interest earned on investments is recorded in the fund of the investment.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is equal to 2.5% of current taxes and 8.0% of all other years at June 30, 2009. Estimated uncollectible taxes were based on the prior year’s collection experience.

Property taxes are levied as of August 1 on property values assessed on the same date. All real property taxes and personal property taxes are due and payable on the tenth of November. The billings are considered past due on January 1 at which time the applicable property is subject to lien and penalties and interest are assessed. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred revenues. For the fiscal year ending June 30, 2009 the 2008 calendar year property tax rate was \$1.78 per \$100.00 of assessed value.

3. Inventories and Prepaid Items

Inventories in the General and Water and Sewer Funds are valued at cost using the first-in/first-out (FIFO) method. Inventories of gasoline and vehicle parts are carried during the year with a 10% to 25% mark-up for the purpose of charging out to other funds. These are re-valued to cost at year-end. The costs of inventory are reported as expenditures when consumed rather than when purchased.

Inventory for the Municipal Airport includes gasoline and supplies and are valued at cost basis on a weighted-average cost flow assumption.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and on the fund level for the proprietary funds. The payments are being recorded as expenditures on the fund level for the governmental funds. Balances include postage, insurance, finance charges, bond issue costs, and travel advances.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

4. Restricted Assets

Certain assets of the General Fund and Capital Projects Fund are classified as restricted by management. Management has restricted the cash and investments for future payment of bond retirement costs and industrial development.

Also, the Water and Sewer Fund has assets restricted for future payment of bonds.

The Water and Sewer and Electric Department's restricted assets consist of cash on deposit which is restricted for the payment of customer deposits.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 City has elected not to capitalize works of art and historical treasures including the historic Covered Bridge and the Veteran's War Memorial. These assets are being held for public display and education and not for financial gain. These assets are cared for and preserved and the City has no plans to sell these assets but plans to maintain them as part of the City's heritage.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

5. Capital Assets (continued)

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-50
Buildings	20-40
Building Improvements	30-40
Large Trucks	10-20
Vehicles	3-10
Computers and Office Equipment	5

The assets of the Elizabethton Electric Department are being depreciated on the straight-line method over the useful lives per guidelines of the T.V.A. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. \$104,211 of depreciation was charged to operating expense per T.V.A. guidelines.

The estimated useful lives of the utility plant of the Electric Department are as follows:

<u>Class Description</u>	<u>Estimated Useful Life</u>
Buildings	50.2 years
Office Equipment	20.0 years
Transportation Equipment	5.0 to 10.0 years
Other Machinery and Equipment	12.5 to 20.0 years
Power Distribution System	12.5 to 44.44 years

Fixed assets for the Municipal Airport are stated at cost except for the Automated Weather Observation Services (AWOS) and the riding lawn mower donated by a commissioner. Cost for the AWOS was estimated at \$50,000 by a representative of the Tennessee Department of Transportation, Office of Aeronautics. The value of the lawn mower was based on estimated market value. Expenditures for maintenance and repairs, which do not improve or extend the life of the assets, are charged to expense as incurred. Depreciation is recorded using the straight line method with the following useful lives:

	<u>Years</u>
Land Improvements	15
Landscaping	20
Hangar Buildings	30
Hangar Contents	10-15
Equipment	7-15
Office Equipment	5
Vehicles	3

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

6. Compensated Absences

Policy of the City of Elizabethton

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave because payment is not made upon termination. Vacation pay is accrued when earned in the government-wide and in proprietary funds financial statements.

The proprietary fund financial statements reflect \$981,558 of vacation benefits payable. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Expected future demands of \$409,388 for vacation benefits have been reflected in the statement of net assets as compensated absences for the governmental activities.

Policy of the Elizabethton Electric Department

Accumulated Sick Leave:

Prior to May 12, 2005, sick leave accumulated at the rate of one day each month after an employee had been on the payroll for ninety days. Also, sick leave accumulated from year to year to a maximum of (180) days or 1440 hours. For those employees with more than 180 days or 1440 hours accumulated as of July 1, 1993, the amount accumulated will be the maximum. On date of termination or retirement, an employee will be paid (100%) of accumulated days of sick leave. In fiscal year 1996, the Board agreed that employees may transfer sick days to other employees that suffer catastrophic sickness and exhaust their accumulated sick days.

After May 12, 2005, the policy of the City of Elizabethton became effective. The policy is to permit employees to accumulate unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave earned after May 12, 2005. The sick hours earned and unused after May 12, 2005 are added towards years of service when determining retirement eligibility. Vacation pay is accrued when earned.

Accumulated Vacation:

Employees earn various days of vacation based on the number of years of service. Employees with more than (20) years of service are entitled to a maximum of twenty-five (25) days of vacation per year. A maximum of (30) days of accumulated vacation may be carried to the next calendar year. Vacation time accumulated prior to January 1, 1978 is exempt from the carry-forward limitation. At the end of December 31 of each year, accumulated vacation leave in excess of (30) days may be paid in cash. All accumulated vacation leave will be paid upon separation of service. Also, one additional day will be given each year for a year's service without a lost-time accident or without taking a day of sick leave.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

6. Compensated Absences (continued)

A liability for compensated absences and related fringe benefits is reflected on the statement of net assets at June 30, 2009, in the amount of \$866,880. The portion of this liability expected to be paid within one (1) year is classified as a current liability and the remainder as a long-term liability.

7. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Discretely Presented Component Units

Elizabethton Board of Education

Significant Accounting Policies

1. Inventories

Inventories are stated at lower cost of cost (first-in, first-out) or market (net realizable value). Inventory items are recognized as expenditures when purchased (purchases method). Fund balances have been reserved for the amount of inventories on hand at year end. Donated inventory from USDA (commodities) is not recorded in the cafeteria fund in accordance with generally accepted accounting principles applicable to governmental funds.

Because the cafeteria utilizes the single inventory method for all inventory, whether purchased or donated, the value of ending inventory related to commodities has been estimated based on the assumption that commodities are consumed prior to the use of purchased, inventory, resulting in a \$0 balance for commodities inventory. The value of commodities received and used during the fiscal year is estimated to be \$49,121.

2. Accumulated Unpaid Vacation and Sick Leave

Employees are granted vacation and sick leave based upon the Board's policy. These benefit costs are accrued when earned in the government-wide financial statements. A liability is reported in the governmental funds only if the benefit had been earned at June 30 as a result of a retirement, resignation, or termination, and the benefit is expected to be paid immediately after the start of the new fiscal year. The Board policy allows the carry over of up to ten unused vacation days to the next fiscal year. Any remaining vacation days in excess of ten will be converted into sick leave days at the rate of one-half sick leave day for one vacation leave day. The Board policy was amended June 23, 2005 to allow at termination of employment, the payment of earned vacation days at the rate of pay applicable when the days were granted. A liability is not recorded for sick leave because the Board policy is silent on payment to employees upon termination.

3. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Discretely Presented Component Units (Continued)

Elizabethton Board of Education (Continued)

Significant Accounting Policies (Continued)

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 for vehicles and equipment and \$50,000 for buildings and improvements or more are reported at historical costs or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and Improvements	40 years
Vehicles and Equipment	3-20 years

Elizabethton Municipal Golf Course

Significant Accounting Policies

1. Property, Plant and Equipment

Property, plant and equipment acquired prior to January 1, 1986 have been reported at the estimated cost because records of acquisition were not maintained. Property, plant and equipment purchased after January 1, 1986 are recorded at cost. The Golf Course capitalizes assets that have a life of five years or more and cost more than \$5,000. The land occupied by the Golf Course is owned by the City. Expenses for maintenance and repairs which do not improve or extend the life of assets, are charged to expense as incurred.

Depreciation has been computed on the straight-line basis using one-half year convention in the year of acquisition and disposal. Fixed asset lives are as follows:

Major Course Renovation	40 Years
Course Improvements	15 Years
Building Improvements	7 to 15 Years
Machinery and Equipment	5 to 7 Years
Office Equipment	5 to 7 Years

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Discretely Presented Component Units (Continued)

Elizabethton Municipal Golf Course (Continued)

Significant Accounting Policies (Continued)

2. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in a local financial institution. The Golf Course considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. Inventories

Inventories of fertilizer, chemicals, gas, and diesel are stated at the lower of cost or market determined by the first-in, first-out method.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not reported in the funds.” “Long-term liabilities at year-end consist of bonds payable, notes payable, and compensated absences.” The details of this \$(9,047,086) difference are as follows:

Bonds Payable	\$ (6,890,000)
Notes Payable	(1,747,698)
Compensated Absences	<u>(409,388)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>(9,047,086)</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation states that “repayment of bond and note principal and lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$736,583 difference is as follows:

Principal repayments:

General Obligation Debt	\$ 545,000
Notes	<u>191,583</u>

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 736,583

Another element of that reconciliation states that “Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds.” The details of this \$(37,594) are as follows:

Compensated absences for the prior year	\$ 371,794
Compensated absences for the current year	<u>(409,388)</u>

Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ (37,594)

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 3 - BUDGETARY INFORMATION AND COMPLIANCE

A. BUDGETARY REPORTING

The City Council authorizes an annual operating budget ordinance for expenditures and related estimated revenues for the General fund, all Special Revenue funds, and certain Capital Projects funds. The City's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the year. The Statements of Budget to Actual are as originally adopted or as amended by the City Council. The budgetary basis only differs from accounting principles generally accepted in the United States of America concerning the reporting of property tax collections. The budget is prepared using the actual cash collections expected. The actual amounts reported by the modified accrual basis are immaterially different from the cash basis used for the budget.

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash includes demand deposits, passbook savings accounts and certificates of deposit with original maturities less than ninety days. Certificates of deposit with original maturities greater than ninety days but less than one year are reflected as certificates of deposit.

The City of Elizabethton is responsible for receiving and disbursing funds of the City. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

**DEPOSITS:** All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City of Elizabethton. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

**INVESTMENTS:** State statutes authorize the City to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; other evidence of deposit at State and Federal chartered banks and Savings and Loan Associations, obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization. The Electric Department does not invest in the Local Government Investment Pool rather its investments are in municipal bonds, government securities and cash equivalents. The Department manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The City does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

Deposits

The City's carrying amount of deposits was \$15,880,196 and the bank balance was \$17,297,474.

The bank balances' are collateralized or insured as follows:

Amount insured by FDIC or collateralized with State of Tennessee Bank Collateral Pool	\$ <u>17,297,474</u>
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The City also manages cash for the Military Family Support Private Purpose Trust fund. The City's carrying amount of deposits for the fund was \$2,722 and the bank balance was \$2,722. These deposits have not been reflected in the statement of net assets. The entire amount of the deposits was covered by the State of Tennessee Collateral Pool. The School System and Municipal Golf Course, discretely presented component units, had deposits with a balance per books of \$830,761 and a bank balance of \$1,197,499. The deposits in excess of Federal Deposit Insurance Corporation limits were fully collateralized by the State of Tennessee Collateral Pool.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

As of June 30, 2009, the City had the following investments:

Type of Investment	Fair Value/ Carrying Value	Cost	Average Credit Quality/ Rating	Weighted Average Months to Maturity
Local Government				
Investment Pool	\$ 11,194,676	11,194,676	N/A	N/A
	<u>\$ 11,194,676</u>	<u>11,194,676</u>		

These amounts are reflected on the statement of net assets as Investments \$1,558,370 and Restricted Assets: Investments \$9,636,306.

A reconciliation of deposits to the amounts reflected on the statement of net assets is as follows:

<i>Total Deposits:</i>	City of <u>Elizabethton</u>	Discretely Presented Component <u>Units</u>
Carrying Amount of Deposits	\$ <u>15,880,196</u>	<u>\$830,761</u>
<i>Amounts per Statement of Net Assets:</i>		
Cash and Cash on Hand	\$ 3,280,649	
Certificates of Deposit	9,998,446	
Restricted Cash	<u>2,601,101</u>	
Total per Statement of Net Assets	\$ <u>15,880,196</u>	

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 5 - RECEIVABLES**

Receivables as of year end for the City's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Electric Department	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Component Units	Total
Receivables:							
Accounts	\$ 16,712	397,084	3,622,401	23,977	38,720	20,352	4,119,246
Taxes	4,284,294	-	-	-	-	2,009,037	6,293,331
Notes Receivable	211,589	-	-	-	-	-	211,589
Due from Other Governments	1,251,032	11,263	-	6,230	262,082	1,064,562	2,595,169
Gross Receivables	5,763,627	408,347	3,622,401	30,207	300,802	3,093,951	13,219,335
Less: Allowance for Uncollectibles	(21,638)	(17,837)	(237,899)	-	-	-	(277,374)
Total Receivables	\$ 5,741,989	390,510	3,384,502	30,207	300,802	3,093,951	12,941,961

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivables not received within period of availability:		
Property tax levied for ensuing fiscal year:		
General Fund	\$ -	3,895,444
Property tax levied but not collected in period of availability and Other Taxes	455,251	-
	<u>\$ 455,251</u>	<u>3,895,444</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 is as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 2,217,604	-	-	-	2,217,604
Construction in Progress	299,346	69,371	-	-	368,717
Library Infrastructure	574,487	-	(30,591)	-	543,896
Total capital assets, not being depreciated	<u>3,091,437</u>	<u>69,371</u>	<u>(30,591)</u>	<u>0</u>	<u>3,130,217</u>
Capital assets, being depreciated:					
Buildings and Improvements	6,450,759	-	-	-	6,450,759
Motor Equipment	4,543,761	-	-	-	4,543,761
Office Equipment	1,845,969	41,217	-	-	1,887,186
Infrastructure	10,804,297	-	-	-	10,804,297
Total capital assets, being depreciated	<u>23,644,786</u>	<u>41,217</u>	<u>0</u>	<u>0</u>	<u>23,686,003</u>
Less accumulated depreciation for:					
Buildings and Improvements	(2,550,593)	(179,598)	-	-	(2,730,191)
Motor Equipment	(3,057,983)	(228,380)	-	-	(3,286,363)
Office Equipment	(1,490,491)	(96,869)	-	-	(1,587,360)
Infrastructure	<u>(5,822,519)</u>	<u>(262,925)</u>	<u>-</u>	<u>-</u>	<u>(6,085,444)</u>
Total accumulated depreciation	<u>(12,921,586)</u>	<u>(767,772)</u>	<u>0</u>	<u>0</u>	<u>(13,689,358)</u>
Total capital assets, being depreciated, net	<u>10,723,200</u>	<u>(726,555)</u>	<u>0</u>	<u>0</u>	<u>9,996,645</u>
Governmental activities, Capital assets, net	<u>\$ 13,814,637</u>	<u>(657,184)</u>	<u>(30,591)</u>	<u>0</u>	<u>13,126,862</u>



CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business - Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,975,917	283,651	-	31,401	2,290,969
Construction in Progress	8,138,926	9,613,305	(2,102,960)	-	15,649,271
Total capital assets, not being depreciated	<u>10,114,843</u>	<u>9,896,956</u>	<u>(2,102,960)</u>	<u>31,401</u>	<u>17,940,240</u>
Capital assets, being depreciated:					
Buildings and Improvements	26,092,306	2,129,416	-	-	28,221,722
Motor Equipment	6,790,858	905,683	(197,919)	-	7,498,622
Office Equipment	896,195	25,177	-	-	921,372
Infrastructure	68,285,005	1,888,764	(571,790)	-	69,601,979
Total capital assets, being depreciated	<u>102,064,364</u>	<u>4,949,040</u>	<u>(769,709)</u>	<u>0</u>	<u>106,243,695</u>
Less accumulated depreciation for:					
Buildings and Improvements	(9,709,640)	(813,844)	-	-	(10,523,484)
Motor Equipment	(4,553,194)	(255,406)	197,919	12,000	(4,598,681)
Office Equipment	(576,194)	(80,878)	-	-	(657,072)
Infrastructure	(27,779,614)	(1,955,340)	693,609	-	(29,041,345)
Total accumulated depreciation	<u>(42,618,642)</u>	<u>(3,105,468)</u>	<u>891,528</u>	<u>12,000</u>	<u>(44,820,582)</u>
Total capital assets, being depreciated, net	<u>59,445,722</u>	<u>1,843,572</u>	<u>121,819</u>	<u>12,000</u>	<u>61,423,113</u>
Business - type Activities, Capital assets, net	<u>\$ 69,560,565</u>	<u>11,740,528</u>	<u>(1,981,141)</u>	<u>43,401</u>	<u>79,363,353</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (continued)

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

Governmental Activities

General Government	\$ 146,458
Public Safety	189,710
Public Works - including general infrastructure assets	305,354
Health and Welfare	883
Culture and Recreation	77,072
Drug Fund	2,606
Solid Waste/Sanitation	45,689
Total Depreciation Expense - Governmental Activities	<u>\$ 767,772</u>

Business-type Activities

Electric Department	\$ 1,685,851
Water and Sewer	1,274,887
Airport	144,730
Total Depreciation Expense - Business-type Activities	<u>\$ 3,105,468</u>

A total of \$104,211 of depreciation expense for the Electric Department was charged to transportation expense.

Discretely Presented Component Units

Activity for the Municipal Golf Course and Board of Education for the year ended June 30, 2009 are as follows:

Municipal Golf Course	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 72,334	-	-	-	72,334
Motor Equipment	596,293	-	-	-	596,293
Office Equipment	13,442	-	-	-	13,442
Infrastructure	1,424,926	-	-	-	1,424,926
Total Capital Assets, Being Depreciated	<u>2,106,995</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,106,995</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Units (Continued)

Municipal Golf Course (continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Less Accumulated Depreciation For:					
Buildings and Improvements	(48,996)	(2,763)	-	-	(51,759)
Motor Equipment	(454,774)	(26,817)	-	-	(481,591)
Office Equipment	(13,353)	(61)	-	-	(13,414)
Infrastructure	(815,249)	(29,430)	-	-	(844,679)
Total Accumulated Depreciation	(1,332,372)	(59,071)	0	0	(1,391,443)
Total Capital Assets, Being Depreciated, Net	\$ 774,623	(59,071)	0	0	715,552

Board of Education

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	756	254,950	-	255,706
Total Capital Assets, Not Being Depreciated	216,926	254,950	0	471,876
Capital Assets, Being Depreciated				
Buildings and Improvements	15,265,969	179,985	-	15,445,954
Motor Equipment	955,481	45,113	(30,539)	970,055
Total Capital Assets, Being Depreciated	16,221,450	225,098	(30,539)	16,416,009
Less Accumulated Depreciation For:				
Buildings and Improvements	(7,624,481)	(323,629)	-	(7,948,110)
Motor Equipment	(582,143)	(45,669)	29,012	(598,800)
Total Accumulated Depreciation	(8,206,624)	(369,298)	29,012	(8,546,910)
Total Capital Assets, Being Depreciated, Net	8,014,826	(144,200)	(1,527)	7,869,099
Total Capital Assets, Net	\$ 8,231,752	110,750	(1,527)	8,340,975

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 7 - OPERATING LEASES

Component Unit

The Elizabethton Municipal Golf Course leases property to be used as a driving range. In addition to the \$1,125 monthly lease payment, the Golf Course is required to pay all utility bills, business taxes or fees and carry public liability insurance on the property. The Golf Course is also responsible for payment to the lessor one-third (1/3) of all driving range income received above \$22,500 as a lump sum annually. The lease agreement is effective for the period March 1, 2008 through March 1, 2010.

The Golf Course also leases golf carts from a national financing company. In addition to the \$2,168 monthly lease payment, the Golf Course is required to pay all related taxes and fees, any insurance and repair the carts.

Future payments required under the operating leases are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Amount</u>
2010	\$ <u>6,504</u>
TOTAL	\$ <u><u>6,504</u></u>

Total lease expenses during the year ended June 30, 2009 are \$13,500 for the driving range and \$21,750 for the carts.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 8 - CAPITAL LEASES

Primary Government

The Water and Sewer fund leases machinery and equipment that is part of a capital lease. Amortization of the leased equipment is included in depreciation expense.

The following is an analysis of the leased assets included in the equipment of the Water and Sewer Fund.

Sewer Equipment	\$ 232,640
Less: Accumulated Depreciation	<u>(23,234)</u>
	<u>\$ 209,406</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Sewer Equipment	\$ 155,397	-	18,740	136,657	19,790
Water Equipment	-	11,800	1,222	10,578	3,560
	<u>\$ 155,397</u>	<u>11,800</u>	<u>19,962</u>	<u>147,235</u>	<u>23,350</u>

Future payments required under the capital leases are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 23,350	8,719	32,069
2011	24,890	7,178	32,068
2012	25,094	5,816	30,910
2013	23,304	4,138	27,442
2014	24,609	2,833	27,442
2015	25,988	1,455	27,443
	<u>\$ 147,235</u>	<u>30,139</u>	<u>177,374</u>

Component Unit

The Elizabethton Municipal Golf Course leases mowing and related turf equipment from several financing companies. The economic substance of the leases is that the Golf Course is financing the acquisition of the assets through the leases and, accordingly, the leases are recorded in the Golf Course's assets and liabilities. Capital leases reflect the transfer of risks and benefits associated with the assets to the lessee. Amortization of the leased equipment is included in depreciation expense.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 8 - CAPITAL LEASES (CONTINUED)

Component Unit (continued)

The following is an analysis of leased assets included in the equipment of the Golf Course.

Mowing Equipment and Turf Equipment	\$ 215,572
Less: Accumulated Depreciation	<u>(176,183)</u>
	<u>\$ 39,389</u>

Amortization of assets held under capital leases is included with depreciation expense.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease - Turf Equipment	\$ 28,588	-	15,261	13,327	13,327
Capital Lease - Turf Equipment	898	-	898	-	-
	<u>\$ 29,486</u>	<u>0</u>	<u>16,159</u>	<u>13,327</u>	<u>13,327</u>

Future payments required under the capital leases are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 13,327
Total	<u>\$ 13,327</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9 - LONG-TERM DEBT

During the year ended June 30, 2009 the following debt transactions occurred.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Debt	\$ 685,000	6,750,000	545,000	6,890,000	590,000
Compensated Absences	371,794	255,638	218,044	409,388	218,044
Notes Payable	1,939,281	-	191,583	1,747,698	195,490
Governmental Activities Long-Term Liabilities	2,996,075	7,005,638	954,627	9,047,086	1,003,534
Business-type Activities:					
Tax Refunding and					
Improvement Bonds	9,622,414	-	710,000	8,912,414	740,000
Revenue Bonds	18,455,000	-	175,000	18,280,000	705,000
Add: Deferred Amount on Issuance					
Premium	191,705	-	10,228	181,477	-
Less: Deferred Amount on Refunding	(82,005)	-	5,721	(76,284)	-
Total Bonds	28,187,114	-	900,949	27,297,607	1,445,000
Notes Payable	1,417,069	-	490,145	926,924	3,285
Capital Lease	155,397	11,800	19,962	147,235	23,350
State Loans	1,581,128	-	88,068	1,493,060	90,444
Compensated Absences	962,322	474,847	455,611	981,558	459,336
Business-type Activities Long-Term Liabilities	32,303,030	486,647	1,954,735	30,846,384	2,021,415
Total Changes in Long-Term Debt	\$ 35,299,105	7,492,285	2,909,362	39,893,470	3,024,949

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9 - LONG TERM DEBT (CONTINUED)

Governmental Activity Debt

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The following is a summary of general obligation bonds currently outstanding from the General Fund:

<u>General Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2009</u>
General Obligation-School Bonds					
Series 2001	12-16-08	\$6,750,000	2.25-4.4%	09-01-23	\$6,750,000
General Obligation-Series 2003	09-19-03	\$1,675,000	2.0-3.25%	09-01-09	<u>140,000</u>
					<u>\$ 6,890,000</u>

General Obligation Bonds issued 12-16-08 debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 450,000	234,338	684,338
2011	450,000	223,650	673,650
2012	450,000	211,838	661,838
2013	450,000	198,900	648,900
2014	450,000	184,838	634,838
2015-2019	2,250,000	686,363	2,936,363
2020-2024	2,250,000	240,750	2,490,750
	<u>\$ 6,750,000</u>	<u>1,980,677</u>	<u>8,730,677</u>

General Obligation Bonds issued 09-19-03 debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 140,000	2,275	142,275
	<u>\$ 140,000</u>	<u>2,275</u>	<u>142,275</u>



CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9 - LONG TERM DEBT (CONTINUED)

Governmental Activity Debt (continued)

Bonds Payable (continued)

Total debt service requirements to maturity for General Obligation Bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 590,000	236,613	826,613
2011	450,000	223,650	673,650
2012	450,000	211,838	661,838
2013	450,000	198,900	648,900
2014	450,000	184,838	634,838
2015-2019	2,250,000	686,363	2,936,363
2020-2024	2,250,000	240,750	2,490,750
	<u>\$ 6,890,000</u>	<u>1,982,952</u>	<u>8,872,952</u>

Notes Payable

General Obligation Notes currently outstanding from the General Fund are as follows:

<u>General Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2009</u>
Capital Outlay Notes	10/23/06	\$1,250,000	4.38%	10-23-18	\$ 1,018,533
Capital Outlay Notes	2/12/04	\$1,250,000	3.95%	11-20-15	<u>729,165</u>
					<u>\$ 1,747,698</u>

Capital Outlay Note issued 10-23-06 debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 91,323	42,792	134,115
2011	95,404	38,711	134,115
2012	99,667	34,447	134,114
2013	104,122	29,993	134,115
2014	108,775	25,340	134,115
2015-2019	519,242	50,768	570,010
	<u>\$ 1,018,533</u>	<u>222,051</u>	<u>1,240,584</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 - LONG TERM DEBT (CONTINUED)

Governmental Activity Debt (continued)

Notes Payable (continued)

Capital Outlay Note issued 02-12-04 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 104,167	27,133	131,300
2011	104,167	22,962	127,129
2012	104,167	18,836	123,003
2013	104,166	14,618	118,784
2014	104,166	10,446	114,612
2015-2018	208,332	8,378	216,710
	<u>\$ 729,165</u>	<u>102,373</u>	<u>831,538</u>

Total Debt Service Requirements to maturity for Capital Outlay Notes are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 195,490	69,925	265,415
2011	199,571	61,673	261,244
2012	203,834	53,283	257,117
2013	208,288	44,611	252,899
2014	212,941	35,786	248,727
2015-2019	727,574	59,146	786,720
	<u>\$ 1,747,698</u>	<u>324,424</u>	<u>2,072,122</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 9 - LONG TERM DEBT (CONTINUED)

Business-Type Activity Debt

Bonds Payable

The government issues bonds when the government pledges income derived from the acquired or constructed assets to pay debt service. The following is a summary of revenue bonds currently outstanding and the funds from which they will be paid:

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2009</u>
<u>Water and Sewer Fund</u>					
Water and Sewer Revenue and Tax Refunding and Improvement - Series 2002A	06-12-02	\$5,500,000	3.5-4.5%	06-01-14	\$3,255,000
Water and Sewer Revenue and Tax Refunding and Improvement - Series 2002B	06-12-02	\$5,647,414	4.9-5.61%	06-01-31	5,657,414
<u>Elizabethton Electric Department</u>					
Revenue Refunding Bonds	08-24-05	\$3,495,000	3.5-4.15%	09-01-22	3,280,000
Revenue Bonds	12-20-07	\$15,000,000	4.0-5.0%	12-27-2027	<u>15,000,000</u>
					<u>\$27,192,414</u>

Water and Sewer Revenue and Tax Refunding and Improvement Bonds – Series 2002A issued 06-12-02 debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 740,000	139,990	879,990
2011	770,000	109,650	879,650
2012	800,000	76,925	876,925
2013	730,000	42,525	772,525
2014	215,000	9,675	224,675
	<u>\$ 3,255,000</u>	<u>378,765</u>	<u>3,633,765</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 9 - LONG TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Bonds Payable (continued)

Water and Sewer Revenue and Tax Refunding and Improvement Bonds – Series 2002B issued 06-12-02 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ -	-	-
2011	-	-	-
2012	-	-	-
2013	61,740	43,260	105,000
2014	364,802	290,198	655,000
2015-2019	2,035,469	2,339,531	4,375,000
2020-2024	1,560,212	3,024,788	4,585,000
2025-2029	1,272,370	3,752,630	5,025,000
2030-2031	362,821	1,382,179	1,745,000
	<u>\$ 5,657,414</u>	<u>10,832,586</u>	<u>16,490,000</u>

This bond issue does not require interest or principal payments until the year 2013 although interest has been accrued and reflected on the Statement of Net Assets.

Electric Department Revenue bonds issued 8-24-05 debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 180,000	126,383	306,383
2011	185,000	119,764	304,764
2012	190,000	112,733	302,733
2013	200,000	105,170	305,170
2014	205,000	97,070	302,070
2015-2019	1,175,000	352,893	1,527,893
2020-2023	1,145,000	96,223	1,241,223
	<u>\$ 3,280,000</u>	<u>1,010,236</u>	<u>4,290,236</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 9 - LONG TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Bonds Payable (continued)

Revenue bonds issued 12-27-07 debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 525,000	639,100	1,164,100
2011	550,000	617,600	1,167,600
2012	570,000	595,200	1,165,200
2013	595,000	571,900	1,166,900
2014	620,000	547,600	1,167,600
2015-2019	3,540,000	2,264,200	5,804,200
2020-2024	4,355,000	1,436,925	5,791,925
2025-2028	4,245,000	392,963	4,637,963
	<u>\$ 15,000,000</u>	<u>7,065,488</u>	<u>22,065,488</u>

Total debt service requirements to maturity for Business-Type Activity Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,445,000	905,473	2,350,473
2011	1,505,000	847,014	2,352,014
2012	1,560,000	784,858	2,344,858
2013	1,586,740	762,855	2,349,595
2014	1,404,802	944,543	2,349,345
2015-2019	6,750,469	4,956,624	11,707,093
2020-2024	7,060,212	4,557,936	11,618,148
2025-2029	5,517,370	4,145,593	9,662,963
2030-2031	362,821	1,382,179	1,745,000
	<u>\$ 27,192,414</u>	<u>19,287,075</u>	<u>46,479,489</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 9 - LONG TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Notes Payable

Capital Outlay Notes currently outstanding and the funds from which they will be paid are as follows:

Elizabethton Municipal Airport

<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2008</u>
January 15, 2004	42,077	Variable	11-15-04	\$ 31,424
May 31, 2007	1,350,000	Variable	05-31-10	<u>895,500</u>
				\$ <u>926,924</u>

The interest rates on all airport debt are variable and amortization schedules are not available. The estimated debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,285	40,825	44,110
2011	898,877	1,259	900,136
2012	3,541	1,087	4,628
2013	3,894	906	4,800
2014	17,327	1,659	18,986
	<u>\$ 926,924</u>	<u>45,736</u>	<u>972,660</u>

State Loans Payable

Notes Payable for the Water and Sewer fund which are payable to the State of Tennessee for financing of State Public Health Loan Programs are as follows:

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Notes Payable (continued)

State Loans Payable

Water and Sewer Fund

Debt service requirements to maturity for DWF-99-016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 90,444	38,760	129,204
2011	92,892	36,324	129,216
2012	95,400	33,804	129,204
2013	97,980	31,224	129,204
2014	100,632	28,584	129,216
2015-2019	545,436	100,608	646,044
2020-2023	470,276	25,272	495,548
	<u>\$ 1,493,060</u>	<u>294,576</u>	<u>1,787,636</u>

Component Unit Long-Term Debt

During the year ended June 30, 2009, the following debt transactions occurred for the Elizabethton Municipal Golf Course:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Outlay Note	\$ 85,321	-	15,399	69,922	16,267
Note Payable - Primary Government	241,590	-	30,000	211,590	30,000
	<u>\$ 326,911</u>	<u>0</u>	<u>45,399</u>	<u>281,512</u>	<u>46,267</u>

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 - LONG TERM DEBT (CONTINUED)

Component Unit Long Term Debt (continued)

Notes Payable

The Golf Course entered into a seven-year loan agreement with the City in the amount of \$250,000 on August 1, 1998. The interest rate is 5.47%. Principal payments were constant (\$35,714), with the first annual payment due on August 1, 1999. During 2001, the loan agreement was amended to require annual payments of interest only for fiscal years ending 2002-2005. The due date of the note was extended to August 1, 2009. During 2004, the Golf Course and the City agreed to another revision. Their revision postpones the first principal payment until fiscal year end 2008 and extends maturity until 2016. Requirements for repayment are as follows:

Fiscal Year Ending June 30	Principal	Total
2010	\$ 30,000	30,000
2011	30,000	30,000
2012	30,000	30,000
2013	30,000	30,000
2014	30,000	30,000
2015-2016	61,590	61,590
	\$ 211,590	211,590

The Golf Course entered a five year capital outlay note for the purchase of equipment with a local bank for \$85,321 on June 4, 2008. The interest rate is 4.65%. Debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 16,267	2,949	19,216
2011	17,051	2,165	19,216
2012	17,869	1,347	19,216
2013	18,735	482	19,217
	\$ 69,922	6,943	76,865



CITY OF ELIZABETHTON, TENNESSEE  
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NOTE 9 - LONG-TERM DEBT (CONTINUED)

Component Unit Long-Term Debt (continued)

During the year ended June 30, 2009, the following debt transactions occurred for the Elizabethton Board of Education:

Board of Education

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities: Compensated Absences	\$ 32,642	5,592	1,723	36,511	1,342
Governmental Activities Long Term Liabilities	\$ 32,642	5,592	1,723	36,511	1,342

NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Interfund receivables, payables and transfers at June 30, 2009 were as follows:

Interfund Receivables/Payables:

<u>Amount</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
\$ 3,610	General Fund	Water/Sewer Fund
5,067	General Fund	Solid Waste/Sanitation
110,854	Elizabethton Electric Department	General Fund
34,964	Elizabethton Electric Department	Water/Sewer Fund
129	General Fund	Police Drug Fund
33,278	General Fund	Elizabethton Electric Department

CITY OF ELIZABETHTON, TENNESSEE  
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**NOTE 10 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

A. Interfund receivables, payables and transfers at June 30, 2008 were as follows (continued):

**Interfund Transfers:**

<u>Amount</u>	<u>Transfer In</u>	<u>Transfer Out</u>
\$ 325,000	Sanitation/Solid Waste	General
52,500	Park & Recreation Capital Project Fund	General
216,000	Elizabethton Municipal Airport	General
565,788	General	Elizabethton Electric Department

The transfer from the Elizabethton Electric Department represents the in-lieu of tax payments. Other transfers are for Operations.

**NOTE 11 - RETIREMENT COMMITMENTS**

The City of Elizabethton, the Elizabethton Board of Education, and the Elizabethton Municipal Airport participate in the Tennessee Consolidated Retirement System. The Elizabethton Electric Department participates in a private retirement plan.

***City of Elizabethton***

***Plan Description***

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***City of Elizabethton (continued)***

***Plan Description (continued)***

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

***Funding Policy***

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 14.17% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2009, the City's annual pension cost of \$989,726 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$989,726	100.00%	\$ 0.00
June 30, 2008	\$893,144	100.00%	\$ 0.00
June 30, 2007	\$913,970	100.00%	\$ 0.00

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***City of Elizabethton (continued)***

***Funding Status and Funding Progress***

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.40% funded. The actuarial accrued liability for benefits was \$18.31 million, and the actuarial value of assets was \$14.35 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.95 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.23 million, and the ratio of the UAAL to the covered payroll was 63.46%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

	(a)	(b) (AAL)	(b) - (a) (UAAL)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2007	\$ 14,353	18,308	3,955	78.40%	6,232	63.46%

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***Component Unit- Elizabethton Board Of Education***

***Description***

Employees of the Elizabethton Board of Education are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service, and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Elizabethton Board of Education participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

***Funding Policy***

The Elizabethton Board of Education requires employees to contribute 5.0 percent of earnable compensation.

The Elizabethton Board of Education is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009, was 9.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Elizabethton Board of Education is established and may be amended by the TCRS Board of Trustees.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***Component Unit- Elizabethton Board Of Education (continued)***

***Annual Pension Cost***

For the year ending June 30, 2009, the Elizabethton Board of Education's annual pension cost of \$214,097 to TCRS was equal to the Elizabethton Board of Education's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Elizabethton Board of Education's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$214,097	100.00%	\$ 0.00
June 30, 2008	\$208,890	100.00%	\$ 0.00
June 30, 2007	\$189,175	100.00%	\$ 0.00

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.71% funded. The actuarial accrued liability for benefits was \$6.14 million, and the actuarial value of assets was \$5.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.76 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2 million, and the ratio of the UAAL to the covered payroll was 37.14%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***Component Unit- Elizabethton Board Of Education (continued)***

***Defined Benefit Plan***

***Plan Description***

The Elizabethton Board of Education contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after 5 years of service. Members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increased less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHPEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

***Funding Policy***

Most teachers are required by state statute to contribute 5.0 percent of salary to the plan. The employer contribution rate for the Elizabethton Board of Education is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for the Elizabethton Board of Education is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2009, 2008, and 2007 were \$545,446, \$502,459 and \$469,320, respectively, equal to the required contributions for each year.

CITY OF ELIZABETHTON, TENNESSEE  
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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***Elizabethton Electric Department***

On October 1, 2005, the Department withdrew from the CSA Non Governmental Plan in a spin off whereby assets and liabilities were transferred into the Central Service Association Pension Plan for Governmental Employees. This is a new tax-qualified multiple employer defined benefit pension plan that is maintained as a governmental plan (as defined under section 414(d) of the Internal Revenue Code).

The plan covers all employees over 21 years of age with six months of service. The total contribution by both the Employer and Employees for the plan year ended September 30, 2008 and 2007 were \$615,518 and \$573,022 respectively. Covered employees are required to contribute one and one-half (1 ½) percent of their monthly earnings to the plan. The Department is required to contribute the remaining amount necessary to fund pension cost accrued including amortization of unfunded prior service cost over a period not to exceed thirty (30) years. Any changes to the plan would need to be approved by the Board for the Department and CSA. The investment assumption is 7%, salary assumption is 4%, the actuarial method is the frozen entry age method and the amortization period is 21.

Monthly contributions are made based on an annual evaluation for the following plan year. The most recently completed Actuarial Report was for the plan year beginning October 1, 2008. The total plan liability at that date was \$16,901,466 and the actuarial value of plan assets was \$9,233,359, leaving an unfunded liability of \$7,668,107 and a funded ratio of 54.637%. The total plan liability for the 2007 plan year was \$15,840,429 and the actuarial value of plan assets was \$9,515,599, leaving an unfunded liability of \$6,234,830 and a funded ratio of 60.07%. The total plan liability for the 2006 plan year was \$15,401,637 and the actuarial value of assets \$9,042,372 leaving an unfunded liability of \$6,359,265 and a funded ratio of 58.71%. As of October 1, 2008, the pension benefit obligation is \$16,901,466 and was \$15,840,429 as of October 1, 2007.

As of October, 1, 2008, the actuarial value of assets was \$9,233,359, the actuarial accrued liability was \$15,752,582, the unfunded actuarial accrued liability was \$6,519,223 and the funded ratio was 58.61%. Covered payroll was \$2,303,866 and the unfunded actuarial accrued liability as a percentage of covered payroll was 283%.

The plan provides for a retirement date, which is the first day of the calendar month, which coincides with, or next follows the employee's 60<sup>th</sup> birthday, with a minimum of 30 years of service. Early retirement may be taken within ten years of the retirement date. Benefits are determined on credited service, earnings, marital status and choice of options. The Central Service Association Defined Benefit Plan operates with assistance from Mass Mutual. Mass Mutual holds all of the assets in a wide range of diverse investment funds. Additional information may be obtained from Central Service Association, P.O. Box 3480, 93 South Coley Road, Tupelo, MS 38803-3480.

Effective January 12, 2007, the Department elected to discontinue enrolling new employees in the CSA Pension Plan Program as now, employees will be enrolled with the same retirement plan as the City of Elizabethton with the Tennessee Consolidated Retirement System.



CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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**NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)**

***Elizabethton Municipal Airport***

The Airport manager was covered through the Tennessee Consolidated Retirement System. Total employer contributions during the fiscal year were \$1,191. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in the Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Pension contributions are determined as part of the July 1, 2003 actuarial valuation. Since the Elizabethton Municipal Airport is considered a department of the City by TCRS, no specific pension benefit obligation can be isolated for the airport.

***Other Post-Employment Benefits – OPEB:***

***Elizabethton City Schools:***

The Elizabethton, Tennessee City Schools participates in the state-administered Teacher Group Insurance Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Annotated Code (TCA) 8-27-302 (teachers) or TCA 8-27-207 (local governments). Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

**Funding Policy**

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Elizabethton City Schools – OPEB (Continued)

The school system pays 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2009 are as follows:

Monthly Premiums – Retiree:

PPO	\$253 to \$345 (single coverage)
POS	\$232 to \$317 (single coverage)
HMO	\$246 to \$336 (single coverage)

Monthly Premiums – Active:

PPO	\$461 (single coverage)
POS	\$422 (single coverage)
HMO	\$448 (single coverage)

The system will pay 100% of eligible retirees' coverage upon retirement for the shorter of 5 years or age 65.

	07/01/2008 - 06/30/2009
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 224,940
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense) (1+2+3)	224,940
5. Contribution made (assumed end of year)*	121,999
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	102,941
7. Net OPEB Obligation - beginning of year	-
8. Net OPEB Obligation - end of year (6 + 7)	\$ 102,941

*\*Contribution made was assumed to equal Expected Benefit Payments*

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Elizabethton City Schools – OPEB (Continued)

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2009	Teacher & Local Government	\$ 224,940	58.3%	\$ 102,941

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Valuation Date	July 1, 2007
Actuarial Accrued Liability (AAL)	\$ 1,194,285
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	1,194,285
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	11,225,541
UAAL as a Percentage of Covered Payroll	11%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Elizabethton City Schools – OPEB (Continued)

Actuarial Methods and Assumptions (Continued)

In the June 30, 2008 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 6 percent after ten years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008. Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the System elected to implement prospectively, therefore prior year comparative data is not available.

Total On-behalf payments were \$130,679.

City of Elizabethton and Elizabethton Electric Department

*A Brief Description of the Retiree Medical and Life Insurance Plan:*

*Plan Types:*

The City of Elizabethton, Tennessee will pay up to the level of the single premium paid for full time City employees until the retiree reaches age 65. The actuarial valuation assumes the City will pay 97.7% of the single premium, which is the current level paid by the City for full-time employees.

The City offers post-employment health care benefits to certain eligible employees. Full service eligible retirees are those age 60 or older with a minimum of 5 years of creditable city service at retirement, or retiring at any age with a least 30 years of service. Early retirees are those age 55 or older with a minimum 10 years of creditable city service at retirement, or retiring at any age with at least 25 years of service. For the City and the Electric Department, there are 19 employees covered by this arrangement. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The base plan has a \$1,500 deductible and out-of-pocket max of \$3,000 with a 80% co-insurance rate. The buy up plan has a \$750 deductible and out-of-pocket max of \$1,500 with a 80% co-insurance rate. During the fiscal year ending June 30, 2009, contributions received from employees was \$135,566 for the City and \$87,924 for the Electric Department and contributions received from retirees were \$4,549 for the City and \$2,681 for the Electric Department. Fiscal year 2009 was the year of implementation of GASB Statement 45 and the City and Electric Department elected to implement prospectively, therefore, prior year comparable data is not available.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

City of Elizabethton and Elizabethton Electric Department – OPEB (Continued)

Funding Policy:

The contribution requirements of plan members are based on pay-as-you go financing requirements.

*Annual OPEB Cost and Net OPEB Obligation:*

The City and Electric Department's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City and Electric Department's costs for the year, the amount actually contributed to the plan, and changes in the OPEB obligation.

	City	Electric Department
Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution (ARC)	\$ 411,136	188,078
Interest on net OPEB Obligation	-	-
Adjustment to ARC	-	-
Annual OPEB Cost (Expense)	411,136	188,078
Contribution Made (assumed end of year)	140,125	90,606
Increase in Net OPEB Obligation	271,011	97,472
Net OPEB Obligation - Beginning of Year	-	-
Net OPEB Obligation - End of Year	<u>\$ 271,011</u>	<u>97,472</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows:

	Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
City	6/30/2009	\$ 411,136	34%	\$ 271,021
Electric	6/30/2009	\$ 188,078	48%	\$ 97,472

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

City of Elizabethton and Elizabethton Electric Department – OPEB (Continued)

*Funded Status and Funding Progress:*

As of June 30, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,212,634 for the City and \$2,212,211 for the Electric Department. The covered payroll was \$5,952,293 for the City and \$2,547,707 for the Electric Department and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 71% for the City and 87% for the Electric Department. The funding ratio was 0% for both.

Actuarial valuations of an ongoing plan involve estimates of the value of 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:*

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 each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods 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. The following methods and assumptions were used.

The valuation date is July 1, 2008 and year one represents the period of July 1, 2008 to June 30, 2009. A discount rate of 4.5% was used to discount expected liabilities to the valuation dates. This is the approximate rate of return available on A rated municipal bonds with maturities of 30 years as of December 27, 2007. Future salaries are expected to increase at an annual rate of 3.0%. Average health care trend costs rates are assumed to increase by 15% (year 1), 13% (year 2), 11% (year 3), 10% (year 4), 9% (year 5), 8% (year 6), 7% (year 7), 6% (year 8) and 5.5% for years 9 and subsequent. The ARC was calculated using the level dollar amortization method, amortizing costs over 30 years on an open basis.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 12 - LITIGATION

Workers Compensation Claims

During the fiscal year June 30, 2009, the City had some workers compensation claims which are being handled through the Tennessee Municipal League Risk Management Pool.

Lawsuits and Pending Claims

Various claims and lawsuits are pending against the City. In the opinion of the City management, after consulting with legal counsel, the potential loss on all claims and lawsuits is not determinable as the legal counsel will vigorously defend the City and some claims are still in the discovery phase.

The Electric Department is one of seven TVA Power Distributors to pursue resolution of a number of issues with a telephone utility company. The major disagreements yet to be resolved concern payment of net attachment fees for 2008 now due and application of the formula for setting attachment fees for 2009 and going forward. No suit has yet been filed but the claim has been asserted. It is the opinion of the attorney, should suit be filed, the likelihood of a favorable outcome is probable. No amount has been recorded for any possible gain.

Contingencies

The Tennessee Department of Environment and Conservation is pursuing an action in regard to the closed landfill because of the presence of some waste from Mapes that was discovered uncovered at that site. This has the potential of exposure to the City of approximately \$500,000 and the City is presently negotiating with TDEC to postpone the issuance of any Commissioner's Orders on the site until after the end of the fiscal year.

NOTE 13 - RISK MANAGEMENT

The City of Elizabethton is a member of the Tennessee Municipal League Risk Management Pool (TML Pool). Coverage for the City includes workers compensation, general liability, property and casualty, public employee dishonesty, errors and omissions, and employer's liability. The TML Pool is a non-profit, risk sharing organization of Tennessee municipalities and local public agencies. The Tennessee Statute governing the formation of pooling and risk sharing arrangement dictates that the pool has the ability to assess members. Contributions (premiums) from members are used in part to purchase re-insurance to cover losses that exceed the Pool's loss fund.

CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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NOTE 14 - CONTINGENT LIABILITIES

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in the funds of the City.

Carter County/Elizabethton Solid Waste Landfill – Closure and Post Closure Costs

The City as a member of the joint venture to operate the Carter County/Elizabethton Solid Waste Disposal System is jointly and severally liable for the closure and post closure costs.

State and federal laws and regulations (specifically in accordance with the Tennessee Department of Conservation, Division of Solid Waste Management Regulation 1200-1-7.03) require the joint venture to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the joint venture reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the date of the statement of net assets. The \$2,879,207 reported as Landfill closure and post closure care liability at June 30, 2009 represents the cumulative amount reported to date based on the use of approximately 100 percent of the total estimated capacity of the landfill. The City and County each pay 50 percent of the monitoring costs.

NOTE 15 – COMMITMENTS

The Electric Department has active construction projects as of June 30, 2009. At year-end the Department's commitments with contractors total \$1,044,757.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$93,920 relating to sales tax and reserves is reflected on the Statement of Activities for the Elizabethton Board of Education.

NOTE 17 –NEW ACCOUNTING STANDARDS

There are several new GASB Statements that have been issued that will be effective in future years. Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to be material.



CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2009

City of Elizabethton						
(\$ amounts in thousands)		(AAL)				
		Actuarial				
		Accrued	(UAAL)			UAAL as a %
Actuarial	Actuarial	Liability	Unfunded	Funded	Covered	of Covered
Valuation	Value of	- Entry Age	AAL	Ratio	Payroll	Payroll
Date	Assets	(b)	(b) - (a)	(a/b)	(c)	(b-a)/c)
	(a)					
July 1, 2007	\$ 14,353	18,308	3,955	78.40%	6,232	63.46%

Elizabethton School Board						
(\$ amounts in thousands)		(AAL)				
		Actuarial				
		Accrued	(UAAL)			UAAL as a %
Actuarial	Actuarial	Liability	Unfunded	Funded	Covered	of Covered
Valuation	Value of	- Entry Age	AAL	Ratio	Payroll	Payroll
Date	Assets	(b)	(b) - (a)	(a/b)	(c)	(b-a)/c)
	(a)					
July 1, 2007	\$ 5,388	6,143	755	87.71%	2,033	37.14%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost methods was a change made during the year and therefore only the most current year is presented.

Elizabethton Electric Department

		(AAL)				
		Actuarial				
		Accrued	(UAAL)			UAAL as a %
Actuarial	Actuarial	Liability	Unfunded	Funded	Covered	of Covered
Valuation	Value of	- Entry Age	AAL	Ratio	Payroll	Payroll
Date	Assets	(b)	(b) - (a)	(a/b)	(c)	(b-a)/c)
	(a)					
October 1, 2008	\$ 9,233,359	15,752,582	6,519,223	58.61%	2,303,866	283%
October 1, 2007	9,515,599	14,404,412	4,888,813	66.06%	2,471,352	198%
October 1, 2006	9,042,372	14,145,793	5,103,421	63.92%	2,125,105	240%

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT  
BENEFITS OTHER THAN PENSIONS - (UNAUDITED)  
For the Fiscal Year Ended June 30, 2009

City of Elizabethton

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2008	\$ -	4,212,634	4,212,634	0.00%	5,952,293	71.00%

Elizabethton Electric Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2008	\$ -	2,212,211	2,212,211	0.00%	2,547,707	87.00%

Elizabethton School Board

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2007	\$ -	1,194,285	1,194,285	0.00%	11,225,541	11.00%

Note: data not available for the preceding two years.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue Funds						Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Solid Waste and Sanitation Fund	East TN Railroad Authority Fund	Total Capital Projects Funds	E. Bolling Memorial Trust Fund	Nonmajor Governmental Funds
ASSETS								
Cash	\$ 148,426	1,037	92,656	42,797	18,730	381,532	-	685,178
Due from Other Governments	6,230	-	-	-	-	-	-	6,230
Accounts Receivable	-	-	-	23,977	-	-	-	23,977
Investments	49,069	-	-	-	-	-	30,133	79,202
Restricted Investments	-	-	-	-	-	534,072	-	534,072
TOTAL ASSETS	<u>\$ 203,725</u>	<u>1,037</u>	<u>92,656</u>	<u>66,774</u>	<u>18,730</u>	<u>915,604</u>	<u>30,133</u>	<u>1,328,659</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ -	-	-	3,267	17	-	-	3,284
Due to Other Funds	<u>129</u>	<u>-</u>	<u>-</u>	<u>5,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,196</u>
TOTAL LIABILITIES	<u>129</u>	<u>0</u>	<u>0</u>	<u>8,334</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>8,480</u>
FUND BALANCES								
Unreserved	<u>203,596</u>	<u>1,037</u>	<u>92,656</u>	<u>58,440</u>	<u>18,713</u>	<u>915,604</u>	<u>30,133</u>	<u>1,320,179</u>
TOTAL FUND BALANCES	<u>203,596</u>	<u>1,037</u>	<u>92,656</u>	<u>58,440</u>	<u>18,713</u>	<u>915,604</u>	<u>30,133</u>	<u>1,320,179</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 203,725</u>	<u>1,037</u>	<u>92,656</u>	<u>66,774</u>	<u>18,730</u>	<u>915,604</u>	<u>30,133</u>	<u>1,328,659</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 June 30, 2009

	Capital Projects Funds							
	Park and Recreation Fund	Joe O'Brien Field Fund	Special Projects Fund	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Fund	Veteran's Walk of Honor Phase II Fund	Veteran's War Memorial Fund	Total Nonmajor Capital Project Funds
ASSETS								
Cash	\$ 64,985	1,395	48,016	176,894	23,201	59,956	7,085	381,532
Restricted Investments	-	-	-	534,072	-	-	-	534,072
TOTAL ASSETS	<u>\$ 64,985</u>	<u>1,395</u>	<u>48,016</u>	<u>710,966</u>	<u>23,201</u>	<u>59,956</u>	<u>7,085</u>	<u>915,604</u>
FUND BALANCES								
Unreserved	64,985	1,395	48,016	710,966	23,201	59,956	7,085	915,604
TOTAL FUND BALANCES	<u>64,985</u>	<u>1,395</u>	<u>48,016</u>	<u>710,966</u>	<u>23,201</u>	<u>59,956</u>	<u>7,085</u>	<u>915,604</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 64,985</u>	<u>1,395</u>	<u>48,016</u>	<u>710,966</u>	<u>23,201</u>	<u>59,956</u>	<u>7,085</u>	<u>915,604</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	Special Revenue Funds					Total Capital Projects Funds	Permanent Fund E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Solid Waste and Sanitation Fund	East TN Railroad Authority Fund			
REVENUES								
Charges for Services	\$ -	-	-	553,375	-	-	-	553,375
Fines and Forfeitures	100,479	-	105,623	-	-	-	-	206,102
Interest Income	1,279	2,029	106	-	28	9,182	481	13,105
Miscellaneous	13	-	-	712	-	-	-	725
Donations	-	-	-	-	-	14,482	-	14,482
Grant Income	-	-	-	-	274,304	93,220	-	367,524
TOTAL REVENUES	<u>101,771</u>	<u>2,029</u>	<u>105,729</u>	<u>554,087</u>	<u>274,332</u>	<u>116,884</u>	<u>481</u>	<u>1,155,313</u>
EXPENDITURES								
General Government	-	-	-	844,730	-	-	-	844,730
Public Safety	17,571	4,533	23,594	-	-	-	-	45,698
Capital Outlay	-	-	25,039	-	-	69,371	-	94,410
Other Expenditures	-	-	-	-	272,563	100,805	-	373,368
TOTAL EXPENDITURES	<u>17,571</u>	<u>4,533</u>	<u>48,633</u>	<u>844,730</u>	<u>272,563</u>	<u>170,176</u>	<u>0</u>	<u>1,358,206</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>84,200</u>	<u>(2,504)</u>	<u>57,096</u>	<u>(290,643)</u>	<u>1,769</u>	<u>(53,292)</u>	<u>481</u>	<u>(202,893)</u>
OTHER FINANCING SOURCES (USES)								
Transfer from General Fund	-	-	-	325,000	-	52,500	-	377,500
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>325,000</u>	<u>0</u>	<u>52,500</u>	<u>0</u>	<u>377,500</u>
Net Change in Fund Balance	84,200	(2,504)	57,096	34,357	1,769	(792)	481	174,607
FUND BALANCE, JULY 1, 2008	<u>119,396</u>	<u>3,541</u>	<u>35,560</u>	<u>24,083</u>	<u>16,944</u>	<u>916,396</u>	<u>29,652</u>	<u>1,145,572</u>
FUND BALANCES, JUNE 30, 2009	<u>\$ 203,596</u>	<u>1,037</u>	<u>92,656</u>	<u>58,440</u>	<u>18,713</u>	<u>915,604</u>	<u>30,133</u>	<u>1,320,179</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 For the Year Ended June 30, 2009

	Capital Projects Funds							Total Nonmajor Capital Projects Funds
	Park and Recreation Fund	Joe O'Brien Field Fund	Special Projects Funds	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Fund	Veteran's Walk of Honor Phase II Fund	Veteran's War Memorial Fund	
REVENUES								
Interest Income	\$ 11	2	73	9,044	41	-	11	9,182
Donations	-	886	-	-	8,696	4,900	-	14,482
Grant Income	93,220	-	-	-	-	-	-	93,220
TOTAL REVENUES	93,231	888	73	9,044	8,737	4,900	11	116,884
EXPENDITURES								
Capital Outlay	-	-	-	69,371	-	-	-	69,371
Other Expenditures	-	458	-	15,180	9,375	75,620	172	100,805
TOTAL EXPENDITURES	0	458	-	84,551	9,375	75,620	172	170,176
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	93,231	430	73	(75,507)	(638)	(70,720)	(161)	(53,292)
OTHER FINANCING SOURCES (USES)								
Transfer from General Fund	52,500	-	-	-	-	-	-	52,500
TOTAL OTHER FINANCING SOURCES (USES)	52,500	0	0	0	0	0	0	52,500
Net Change in Fund Balance	145,731	430	73	(75,507)	(638)	(70,720)	(161)	(792)
FUND BALANCE, JULY 1, 2008	(80,746)	965	47,943	786,473	23,839	130,676	7,246	916,396
FUND BALANCES, JUNE 30, 2009	\$ 64,985	1,395	48,016	710,966	23,201	59,956	7,085	915,604

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
POLICE DRUG ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Task Force	\$ 11,000	68,218	57,218
Interest Earned	2,448	1,279	(1,169)
Drug Fines-Courts	-	32,261	32,261
Fines and Forfeitures	6,804	-	(6,804)
Miscellaneous	5,298	13	(5,285)
TOTAL REVENUES	25,550	101,771	76,221
EXPENDITURES			
Special Pay	17,647	9,362	8,285
Insurance	1,185	1,027	158
Vehicle Maintenance and Fuel	5,720	6,932	(1,212)
Appropriation - Task Force	998	250	748
TOTAL EXPENDITURES	25,550	17,571	7,979
EXCESS OF REVENUES OVER EXPENDITURES	-	84,200	84,200
FUND BALANCE, JULY 1, 2008	119,396	119,396	-
FUND BALANCE, JUNE 30, 2009	\$ 119,396	203,596	84,200

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
POLICE COMMUNITY RELATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Donations	\$ 4,670	-	(4,670)
Interest Earned	<u>-</u>	<u>2,029</u>	<u>2,029</u>
TOTAL REVENUES	<u>4,670</u>	<u>2,029</u>	<u>(2,641)</u>
EXPENDITURES			
Supplies and Operating Expenses	<u>4,670</u>	<u>4,533</u>	<u>137</u>
TOTAL EXPENDITURES	<u>4,670</u>	<u>4,533</u>	<u>137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,504)	(2,504)
FUND BALANCE, JULY 1, 2008	<u>3,541</u>	<u>3,541</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u><u>\$ 3,541</u></u>	<u><u>1,037</u></u>	<u><u>(2,504)</u></u>

See Independent Auditors' Report.



CITY OF ELIZABETHTON, TENNESSEE  
POLICE EQUIPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Fines	\$ 98,025	105,623	7,598
Interest Earned	-	106	106
TOTAL REVENUES	98,025	105,729	7,704
EXPENDITURES			
Supplies and Operating Expenses	40,025	23,594	16,431
Capital Outlay	58,000	25,039	32,961
TOTAL EXPENDITURES	98,025	48,633	49,392
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	57,096	57,096
FUND BALANCE, JULY 1, 2008	35,560	35,560	-
FUND BALANCE, JUNE 30, 2009	\$ 35,560	92,656	57,096

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SOLID WASTE/SANITATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Bulk Container Fees	\$ 537,000	551,336	14,336
Miscellaneous	2,200	712	(1,488)
Sale of Containers	2,600	2,039	(561)
TOTAL REVENUES	541,800	554,087	12,287
EXPENDITURES			
Salaries and Benefits	361,046	247,742	113,304
Uniforms and Employee Expenses	4,200	2,585	1,615
Containers	5,000	5,905	(905)
Garage Rent	500	425	75
Insurance	7,744	9,875	(2,131)
Vehicle Maintenance and Fuel	132,000	153,205	(21,205)
Contracted Services	10,550	22,033	(11,483)
Supplies and Operating Expenses	13,000	12,727	273
Landfill and Other Fees	430,000	390,233	39,767
TOTAL EXPENDITURES	964,040	844,730	119,310
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(422,240)	(290,643)	131,597
OTHER FINANCING SOURCES (USES)			
Transfer from General	422,240	325,000	(97,240)
TOTAL OTHER FINANCING SOURCES (USES)	422,240	325,000	(97,240)
Net Change in Fund Balance	-	34,357	34,357
FUND BALANCE, JULY 1, 2008	24,083	24,083	-
FUND BALANCE, JUNE 30, 2009	\$ 24,083	58,440	34,357

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
EAST TENNESSEE RAILROAD AUTHORITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest Earned	\$ -	28	28
Grant Income	<u>301,000</u>	<u>274,304</u>	<u>(26,696)</u>
TOTAL REVENUES	<u>301,000</u>	<u>274,332</u>	<u>(26,668)</u>
EXPENDITURES			
Street and Railroad Improvements	<u>301,000</u>	<u>272,563</u>	<u>28,437</u>
TOTAL EXPENDITURES	<u>301,000</u>	<u>272,563</u>	<u>28,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	1,769	1,769
FUND BALANCE, JULY 1, 2008	<u>16,944</u>	<u>16,944</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u><u>\$ 16,944</u></u>	<u><u>18,713</u></u>	<u><u>1,769</u></u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
PARK AND RECREATION CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Grant Income	\$ 150,000	93,220	(56,780)
Interest Earned	-	11	11
TOTAL REVENUES	150,000	93,231	(56,769)
EXPENDITURES			
Railroad Acquisition	187,500	-	187,500
Capital Outlay	15,000	-	15,000
TOTAL EXPENDITURES	202,500	0	202,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(52,500)	93,231	145,731
OTHER FINANCING SOURCES (USES)			
Transfer from General	52,500	52,500	-
TOTAL OTHER FINANCING SOURCES (USES)	52,500	52,500	0
Net Change in Fund Balance	-	145,731	145,731
FUND BALANCE, JULY 1, 2008	(80,746)	(80,746)	-
FUND BALANCE, JUNE 30, 2009	\$ (80,746)	64,985	145,731

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
JOE O'BRIEN FIELD FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest Earned	\$ 50	2	(48)
Donations	<u>410</u>	<u>886</u>	<u>476</u>
TOTAL REVENUES	<u>460</u>	<u>888</u>	<u>428</u>
EXPENDITURES			
Other Expenditures	410	458	(48)
Capital Outlay	<u>50</u>	<u>-</u>	<u>50</u>
TOTAL EXPENDITURES	<u>460</u>	<u>458</u>	<u>2</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	430	430
FUND BALANCE, JULY 1, 2008	<u>965</u>	<u>965</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u><u>\$ 965</u></u>	<u><u>1,395</u></u>	<u><u>430</u></u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SPECIAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Grant Income	\$ 60,000	-	(60,000)
Interest	-	73	73
Miscellaneous	12,000	-	(12,000)
TOTAL REVENUES	72,000	73	(71,927)
EXPENDITURES			
Other Expenditures	72,000	-	72,000
TOTAL EXPENDITURES	72,000	-	72,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	73	73
FUND BALANCE, JULY 1, 2008	47,943	47,943	-
FUND BALANCE, JUNE 30, 2009	\$ 47,943	48,016	73

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
GENERAL OBLIGATION BOND PROCEEDS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Miscellaneous	\$ 250,000	-	(250,000)
Interest Earned	-	9,044	9,044
TOTAL REVENUES	250,000	9,044	(240,956)
EXPENDITURES			
Other Expenditures	-	15,180	(15,180)
Capital Outlay	250,000	69,371	180,629
TOTAL EXPENDITURES	250,000	84,551	165,449
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(75,507)	(75,507)
FUND BALANCE, JULY 1, 2008	786,473	786,473	-
FUND BALANCE, JUNE 30, 2009	\$ 786,473	710,966	(75,507)

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WALK OF HONOR FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Donations	\$ -	8,696	8,696
Interest Earned	50	41	(9)
Miscellaneous	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
TOTAL REVENUES	<u>25,050</u>	<u>8,737</u>	<u>(16,313)</u>
EXPENDITURES			
Other Expenditures	<u>25,050</u>	<u>9,375</u>	<u>15,675</u>
TOTAL EXPENDITURES	<u>25,050</u>	<u>9,375</u>	<u>15,675</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(638)	(638)
FUND BALANCE, JULY 1, 2008	<u>23,839</u>	<u>23,839</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u><u>\$ 23,839</u></u>	<u><u>23,201</u></u>	<u><u>(638)</u></u>

See Independent Auditors' Report.



CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WALK OF HONOR PHASE II FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Donations	\$ 79,000	4,900	(74,100)
TOTAL REVENUES	<u>79,000</u>	<u>4,900</u>	<u>(74,100)</u>
EXPENDITURES			
Community Development	20,000	9,492	10,508
Other Expenditures	<u>59,000</u>	<u>66,128</u>	<u>(7,128)</u>
TOTAL EXPENDITURES	<u>79,000</u>	<u>75,620</u>	<u>3,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(70,720)	(70,720)
FUND BALANCE, JULY 1, 2008	<u>130,676</u>	<u>130,676</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u><u>\$ 130,676</u></u>	<u><u>59,956</u></u>	<u><u>(70,720)</u></u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WAR MEMORIAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Donations	\$ 200	-	(200)
Interest Earned	25	11	(14)
TOTAL REVENUES	225	11	(214)
EXPENDITURES			
Other Expenditures	225	172	53
TOTAL EXPENDITURES	225	172	53
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(161)	(161)
FUND BALANCE, JULY 1, 2008	7,246	7,246	-
FUND BALANCE, JUNE 30, 2009	\$ 7,246	7,085	(161)

See Independent Auditors' Report.

SUPPLEMENTAL  
SECTION

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2009
PRIMARY GOVERNMENT							
GENERAL FUND							
16.000	Appalachian High Intensity Drug Trafficking Area	U.S. Department of Justice	(9,915)	20,383	17,714	-	(7,246) *
Pass-Through TN Emergency Management Agency							
97.039	Hazard Mitigation Grant Program	Federal Emergency Mgmt Agency	-	23,348	-	23,348	-
Total General Fund			(9,915)	43,731	17,714	23,348	(7,246)
CAPITAL PROJECTS FUND							
Pass-Through State of TN Department of Transportation							
20.219	Recreational Trails Program	U.S. Department of Transportation	-	93,220	93,220	-	-
Total Capital Projects Fund			0	93,220	93,220	0	0
Total Primary Government			\$ (9,915)	136,951	110,934	23,348	(7,246)

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Elizabethton, Tennessee and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

M Major Program

\* Receivable

\*\* Unused Revenue

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2009

State Grant Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
PRIMARY GOVERNMENT						
ELIZABETHTON MUNICIPAL AIRPORT						
Z-08-021577	Airport Maintenance	TN Department of Transportation	\$ (10,000)	9,658	-	(342) *
Z-09-213377	Airport Maintenance	TN Department of Transportation	-	-	13,000	(13,000) *
Z-08-200679	TAD # 10555072504	TN Department of Transportation	-	29,144	31,241	(2,097) *
Z-08-200702	GPS Survey For Approach	TN Department of Transportation	-	38,187	38,187	-
Z-06-029435	ALP UPDATE	TN Department of Transportation	-	21,168	21,168	-
Z-07-037685	TAD # 10555012304	TN Department of Transportation	-	342,224	464,209	(121,985) *
Z-07-037703	Land Acquisition	TN Department of Transportation	-	448	448	-
Z-08-200713	TAD # 10555042104	TN Department of Transportation	-	129,979	129,979	-
Z-08-200680	Land Acquisition Amendment	TN Department of Transportation	-	152,975	152,975	-
Total Elizabethton Municipal Airport			(10,000)	723,783	851,207	(137,424)
GENERAL FUND						
CMA 1105, CMA 1176 Project 10951-4620-04	Highway Maintenance	TN Department of Transportation	(8,716)	70,901	62,185	-
Total General Fund			(8,716)	70,901	62,185	0
SPECIAL REVENUE FUND						
Z-05-025860, Z-08-020871, Z-08-020930, Z-07-033934, Z-08-020944, Z-09213056,	Track Rehab	TN Department of Transportation	(6,185)	280,490	274,305	-
Total Special Revenue Fund			(6,185)	280,490	274,305	0
Total Primary Government			\$ (24,901)	1,075,174	1,187,697	(137,424)

\* Receivable

\*\* Unused Revenue

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF INTERFUND TRANSFERS  
June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating Transfers Among Funds</u>			
General	Sanitation/Solid Waste	To provide for operations	\$ 325,000
General	Elizabethton Municipal Airport	To provide for operations	216,000
Elizabethton Electric Department	General	In-Lieu of Taxes	565,788
General	Park and Recreation Capital Projects Fund	To provide for operations	<u>52,500</u>
Total Transfers			<u>\$ 1,159,288</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF CHANGES IN GENERAL BONDED DEBT AND NOTES PAYABLE -  
PRIMARY GOVERNMENT  
June 30, 2009

	Balance July 1, 2008	General Obligation Debt Additions	General Obligation Debt Retired	General Obligation Debt Adjustments	Balance June 30, 2009
<u>General Bonded Debt</u>					
General Fund:					
General Obligation - Series 2001	\$ 215,000	-	215,000	-	-
General Obligation - Refunding Series 2003	470,000	-	330,000	-	140,000
General Obligation - School Bond Series 2008	-	6,750,000	-	-	6,750,000
	<u>-</u>	<u>6,750,000</u>	<u>-</u>	<u>-</u>	<u>6,750,000</u>
Total General Bonded Debt	<u>\$ 685,000</u>	<u>6,750,000</u>	<u>545,000</u>	<u>0</u>	<u>6,890,000</u>
<u>Notes Payable</u>					
General Fund:					
Capital Outlay Note - 2004	\$ 833,332	-	104,167	-	729,165
Capital Outlay Note - 2006	1,105,949	-	87,416	-	1,018,533
	<u>1,105,949</u>	<u>-</u>	<u>87,416</u>	<u>-</u>	<u>1,018,533</u>
Total Notes Payable	<u>\$ 1,939,281</u>	<u>0</u>	<u>191,583</u>	<u>0</u>	<u>1,747,698</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
ALL FUNDS - PRIMARY GOVERNMENT  
June 30, 2009

<u>Fiscal Year Ending</u>	<u>Bond Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2010	\$ 2,035,000	1,142,086	3,177,086
6/30/2011	1,955,000	1,070,664	3,025,664
6/30/2012	2,010,000	996,696	3,006,696
6/30/2013	2,036,740	961,755	2,998,495
6/30/2014	1,854,802	1,129,381	2,984,183
6/30/2015	1,768,238	1,194,383	2,962,621
6/30/2016	1,780,045	1,165,137	2,945,182
6/30/2017	1,800,755	1,129,525	2,930,280
6/30/2018	1,817,463	1,094,039	2,911,502
6/30/2019	1,833,969	1,059,903	2,893,872
6/30/2020	1,857,050	1,021,586	2,878,636
6/30/2021	1,881,680	980,411	2,862,091
6/30/2022	1,912,841	934,213	2,847,054
6/30/2023	1,961,116	937,360	2,898,476
6/30/2024	1,697,525	925,116	2,622,641
6/30/2025	1,274,526	889,224	2,163,750
6/30/2026	1,303,687	859,501	2,163,188
6/30/2027	1,338,682	826,806	2,165,488
6/30/2028	1,374,471	791,067	2,165,538
6/30/2029	226,004	778,995	1,004,999
6/30/2030	213,844	791,156	1,005,000
6/30/2031	148,976	591,023	739,999
	<u>\$ 34,082,414</u>	<u>21,270,027</u>	<u>55,352,441</u>

See Independent Auditors' Report.



CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS  
ALL FUNDS - PRIMARY GOVERNMENT  
June 30, 2008

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<u>Fiscal Year Ending</u>	<u>Note Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2010	\$ 198,775	110,750	309,525
6/30/2011	1,098,448	62,932	1,161,380
6/30/2012	207,375	54,370	261,745
6/30/2013	212,182	45,517	257,699
6/30/2014	230,268	37,445	267,713
6/30/2015	217,802	26,753	244,555
6/30/2016	222,880	17,503	240,383
6/30/2017	124,021	10,095	134,116
6/30/2018	129,560	4,552	134,112
6/30/2019	<u>33,311</u>	<u>243</u>	<u>33,554</u>
	<u>\$ 2,674,622</u>	<u>370,160</u>	<u>3,044,782</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -  
COMPONENT UNITS  
June 30, 2009

<u>Fiscal Year Ending</u>	<u>Note Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2010	\$ 46,267	2,949	49,216
6/30/2011	47,051	2,165	49,216
6/30/2012	47,869	1,347	49,216
6/30/2013	48,735	482	49,217
6/30/2014	30,000	-	30,000
6/30/2015	30,000	-	30,000
6/30/2016	<u>31,590</u>	<u>-</u>	<u>31,590</u>
	<u>\$ 281,512</u>	<u>6,943</u>	<u>288,455</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
NET ASSETS BY COMPONENT  
Last Seven Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 8,358,220	8,155,681	10,681,542	11,444,573	10,590,936	11,194,421	4,609,854
Unrestricted	8,168,083	9,215,921	7,031,709	6,789,683	7,194,201	7,018,313	13,995,100
Total Governmental Activities Net Assets	16,526,303	17,371,602	17,713,251	18,234,256	17,785,137	18,212,734	18,604,954
Business-type Activities							
Invested in Capital Assets, Net of Related Debt	41,937,747	41,681,195	42,776,756	44,271,111	45,625,558	38,582,426	49,348,344
Restricted	-	27,728	12,072	927	-	-	-
Unrestricted	5,605,268	7,007,747	8,099,683	9,248,016	10,893,732	20,055,574	10,776,548
Total Business-type Activities Net Assets	47,543,015	48,716,670	50,888,511	53,520,054	56,519,290	58,638,000	60,124,892
Primary Government							
Invested in Capital Assets, Net of Related Debt	50,295,967	49,836,876	53,458,298	55,715,684	56,216,494	49,776,847	53,958,198
Restricted	-	27,728	12,072	927	-	-	-
Unrestricted	13,773,351	16,223,668	15,131,392	16,037,699	18,087,933	27,073,887	24,771,648
Total Primary Government Net Assets	\$64,069,318	66,088,272	68,601,762	71,754,310	74,304,427	76,850,734	78,729,846

**NOTE:** Comparable information was not available for prior years. The City implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments, during the 2003 fiscal year.

See Independent Auditors’ Report.

CITY OF ELIZABETHTON, TENNESSEE  
CHANGES IN NET ASSETS  
Last Seven Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>EXPENSES</b>							
Governmental Activities							
General Government	\$ 2,030,392	1,134,721	1,838,201	1,964,833	2,092,175	2,312,896	2,313,294
Public Safety	3,427,386	3,708,331	3,819,315	4,220,050	4,498,229	4,691,754	4,761,540
Public Works	1,353,398	1,682,033	1,519,457	1,655,130	1,710,488	1,709,253	1,975,372
Health and Welfare	139,881	149,075	128,225	128,009	133,507	143,386	147,151
Building Code Enforcement	212,241	232,388	252,559	245,923	236,687	267,685	279,931
Community Development	86,594	95,519	128,953	97,378	128,559	150,503	135,716
Culture and Recreation	1,086,283	1,087,214	1,177,105	1,255,737	1,335,822	1,279,218	1,317,757
Education	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,586,950
Other	375,257	749,080	782,368	597,845	1,110,518	511,202	575,514
Interest on Long-Term Debt	136,954	168,413	126,176	100,446	124,408	120,050	228,870
Total Governmental Activities Expenses	<u>11,180,386</u>	<u>11,338,774</u>	<u>12,104,359</u>	<u>12,597,351</u>	<u>13,702,393</u>	<u>13,517,947</u>	<u>14,322,095</u>
Business-type Activities							
Water and Sewer	5,240,685	5,924,594	6,101,136	6,258,684	6,351,520	6,421,106	6,891,218
Electric Department	34,580,165	35,949,729	35,655,992	38,562,527	41,233,588	44,584,278	51,200,732
Airport	396,805	462,861	576,956	686,323	737,428	1,101,139	1,110,919
Total Business-type Activities Expenses	<u>40,217,655</u>	<u>42,337,184</u>	<u>42,334,084</u>	<u>45,507,534</u>	<u>48,322,536</u>	<u>52,106,523</u>	<u>59,202,869</u>
Total Primary Government Expenses	<u>51,398,041</u>	<u>53,675,958</u>	<u>54,438,443</u>	<u>58,104,885</u>	<u>62,024,929</u>	<u>65,624,470</u>	<u>73,524,964</u>
<b>PROGRAM REVENUES</b>							
Governmental Activities							
Charges for Services	1,341,974	1,225,622	1,261,861	1,645,615	1,572,058	1,980,490	2,079,922
Operating Grants and Contributions	155,364	233,578	77,139	137,993	180,494	634,089	315,366
Capital Grants and Contributions	56,287	350,497	255,533	334,270	464,532	60,697	93,220
Total Governmental Activities Program Revenues	<u>1,553,625</u>	<u>1,809,697</u>	<u>1,594,533</u>	<u>2,117,878</u>	<u>2,217,084</u>	<u>2,675,276</u>	<u>2,488,508</u>
Business-type Activities							
Charges for Services	41,249,758	43,380,657	44,050,045	48,187,308	50,749,078	53,113,524	59,673,864
Operating Grants and Contributions	291,766	-	427,175	337,513	257,984	-	-
Capital Grants and Contributions	-	-	519,040	-	56,040	652,044	871,820
Total Business-type Activities Program Revenues	<u>41,541,524</u>	<u>43,380,657</u>	<u>44,996,260</u>	<u>48,524,821</u>	<u>51,063,102</u>	<u>53,765,568</u>	<u>60,545,684</u>
Total Primary Government Program Revenues	<u>\$ 43,095,149</u>	<u>45,190,354</u>	<u>46,590,793</u>	<u>50,642,699</u>	<u>53,280,186</u>	<u>56,440,844</u>	<u>63,034,192</u>

(Continued)

CITY OF ELIZABETHTON, TENNESSEE  
CHANGES IN NET ASSETS  
Last Seven Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
NET (EXPENSE)/REVENUE							
Governmental Activities	\$ (7,294,761)	(9,529,077)	(10,509,826)	(10,479,473)	(11,485,309)	(10,842,671)	(11,833,587)
Business-type Activities	1,323,869	1,043,473	2,662,176	3,017,287	2,740,566	1,659,045	1,342,815
Total Primary Government Net Expense	<u>(5,970,892)</u>	<u>(8,485,604)</u>	<u>(7,847,650)</u>	<u>(7,462,186)</u>	<u>(8,744,743)</u>	<u>(9,183,626)</u>	<u>(10,490,772)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Governmental Activities							
Taxes							
Property Taxes	3,568,814	3,525,231	3,592,858	3,705,114	3,766,242	4,061,546	3,921,523
Sales Taxes	2,724,745	2,811,594	3,215,945	3,631,223	3,805,354	4,127,085	4,507,121
In-Lieu of Taxes	714,784	16,203	47,644	29,861	26,124	36,733	29,903
Business Taxes	193,140	200,805	217,419	251,306	240,944	250,850	259,183
Other Taxes	-	-	-	-	-	-	462,971
Other Local Governments	116,946	100,885	160,733	166,627	108,421	93,987	67,687
State Aid	1,719,320	1,672,268	1,720,914	1,773,976	2,195,451	1,649,418	1,943,782
Federal Aid	559,217	335,135	343,080	492,029	418,930	414,820	-
Unrestricted Investment Earnings	133,910	104,744	111,512	241,330	258,024	232,933	149,530
Miscellaneous	-	(3,570)	42,056	56,370	24,893	35,582	519,837
Special Item - Donations of Assets	1,486,963	-	-	-	-	-	14,482
Loss on Sale of Asset	(44,287)	-	-	-	(95,016)	-	-
Grants and Contributions not restricted	-	1,611,081	747,906	-	-	-	-
Transfers	(40,500)	-	651,408	652,642	286,823	367,314	349,788
Total Governmental Activities	<u>11,133,052</u>	<u>10,374,376</u>	<u>10,851,475</u>	<u>11,000,478</u>	<u>11,036,190</u>	<u>11,270,268</u>	<u>12,225,807</u>
Business-type Activities							
Unrestricted Investment Earnings	89,701	77,409	161,073	285,842	540,614	601,753	493,865
Miscellaneous	272	52,773	-	1,159	4,879	-	-
Transfers	40,500	-	(651,408)	(652,642)	(286,823)	(367,314)	(349,788)
Total Business-type Activities	<u>130,473</u>	<u>130,182</u>	<u>(490,335)</u>	<u>(365,641)</u>	<u>258,670</u>	<u>234,439</u>	<u>144,077</u>
Total Primary Government	<u>11,263,525</u>	<u>10,504,558</u>	<u>10,361,140</u>	<u>10,634,837</u>	<u>11,294,860</u>	<u>11,504,707</u>	<u>12,369,884</u>
CHANGE IN NET ASSETS							
Governmental Activities	1,506,291	845,299	341,649	521,005	(449,119)	427,597	392,220
Business-type Activities	1,454,342	1,173,655	2,171,841	2,651,646	2,999,236	1,893,484	1,486,892
Total Primary Government	<u>\$ 2,960,633</u>	<u>2,018,954</u>	<u>2,513,490</u>	<u>3,172,651</u>	<u>2,550,117</u>	<u>2,321,081</u>	<u>1,879,112</u>

**NOTE:** Comparable information was not available for prior years. The City implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments, during the 2003 fiscal year.

See Independent Auditors’ Report.

CITY OF ELIZABETHTON, TENNESSEE  
FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Seven Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Designated	\$ 4,121,618	4,168,892	4,000,273	4,178,565	4,085,787	3,651,625	11,171,656
Unreserved	3,320,969	3,351,326	2,363,630	1,951,297	1,646,915	2,201,376	1,741,002
Total General Fund	<u>7,442,587</u>	<u>7,520,218</u>	<u>6,363,903</u>	<u>6,129,862</u>	<u>5,732,702</u>	<u>5,853,001</u>	<u>12,912,658</u>
All Other Governmental Funds							
Unreserved, Reported in:							
Special Revenue Funds	64,008	101,729	15,509	201,206	128,398	199,524	374,442
Capital Projects Funds	258,729	1,197,712	309,109	494,150	974,305	916,396	915,604
Permanent Fund	25,143	25,409	25,939	27,011	28,465	29,652	30,133
Total All Other Governmental Funds	<u>\$ 347,880</u>	<u>1,324,850</u>	<u>350,557</u>	<u>722,367</u>	<u>1,131,168</u>	<u>1,145,572</u>	<u>1,320,179</u>

Note: Additional years of information will be provided in future years.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Seven Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>REVENUES</b>							
Taxes	\$ 7,234,119	6,528,005	7,066,193	7,604,318	7,868,022	8,429,613	9,130,476
Licenses and Permits	54,434	98,223	75,465	93,181	97,991	95,095	130,030
Intergovernmental	1,899,574	1,908,501	1,859,661	1,925,234	2,045,305	2,192,700	2,052,531
Charges for Services	1,861,406	1,800,276	1,874,032	2,005,518	2,125,682	2,433,889	2,405,205
Donations	56,287	180,895	23,210	176,801	140,796	141,807	14,482
Grant Income	81,427	253,514	253,920	348,354	702,489	134,028	367,524
Fines and Forfeitures	286,211	233,385	229,768	314,885	273,425	260,435	444,687
Miscellaneous	459,253	402,720	503,053	642,254	552,244	487,078	519,837
Interest Earned	133,909	104,744	111,514	241,377	301,217	233,457	149,530
<b>TOTAL REVENUES</b>	<b>12,066,620</b>	<b>11,510,263</b>	<b>11,996,816</b>	<b>13,351,922</b>	<b>14,107,171</b>	<b>14,408,102</b>	<b>15,214,302</b>
<b>EXPENDITURES</b>							
General Government	2,550,823	2,362,721	2,444,515	2,559,403	2,859,524	3,086,714	3,030,589
Public Safety	3,417,453	3,460,461	3,667,343	4,045,478	4,294,937	4,493,299	4,456,234
Public Works	1,127,023	1,288,844	1,148,397	1,290,099	1,363,400	1,355,854	1,570,336
Health and Welfare	138,991	144,000	127,125	125,157	132,641	142,785	145,815
Building Code Enforcement	207,111	221,218	252,127	245,905	236,743	268,427	278,497
Community Development	88,577	91,331	128,737	97,354	128,608	151,174	134,677
Education	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,586,950
Culture and Recreation	1,005,781	975,717	1,092,553	1,175,390	1,238,513	1,174,843	1,178,826
Special Appropriations	220,438	224,625	280,657	225,432	197,632	285,114	202,146
Capital Outlay	261,925	362,768	2,088,323	690,096	1,128,103	281,060	110,588
Debt Service:							
Principal	564,856	2,090,000	589,166	599,167	679,542	717,844	736,583
Interest	142,393	137,264	123,041	105,453	127,822	117,289	141,732
Paying Agent Fees	874	33,537	3,136	1,487	-	1,383	133,485
Lease Payments	2,754	886	-	-	-	-	-
Other Operating Expenses	154,819	524,455	501,712	411,724	912,888	232,927	373,368
<b>TOTAL EXPENDITURES</b>	<b>12,215,818</b>	<b>14,249,827</b>	<b>14,778,832</b>	<b>13,904,145</b>	<b>15,632,353</b>	<b>14,640,713</b>	<b>15,079,826</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ (149,198)	(2,739,564)	(2,782,016)	(552,223)	(1,525,182)	(232,611)	134,476
<b>OTHER FINANCING SOURCES (USES)</b>							
Capital Outlay Note Proceeds	-	1,250,000	-	-	1,250,000	-	-
Refunding Bond Proceeds	-	1,675,000	-	-	-	-	6,750,000
Sale of Fixed Assets	-	265,000	-	-	-	-	-
Transfers In	342,041	1,013,397	1,012,413	1,334,342	1,364,173	929,314	943,288
Transfers Out	(382,541)	(409,232)	(361,005)	(644,350)	(1,077,350)	(562,000)	(593,500)
<b>TOTAL OTHER FINANCING SOURCES (Uses)</b>	<b>(40,500)</b>	<b>3,794,165</b>	<b>651,408</b>	<b>689,992</b>	<b>1,536,823</b>	<b>367,314</b>	<b>7,099,788</b>
<b>Net Change in Fund Balances</b>	<b>(189,698)</b>	<b>1,054,601</b>	<b>(2,130,608)</b>	<b>137,769</b>	<b>11,641</b>	<b>134,703</b>	<b>7,234,264</b>
Debt Service as a Percentage of Noncapital Expenditures	5.92%	16.04%	5.61%	5.33%	5.57%	5.82%	5.87%

Note: Additional years of information will be provided in future years.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
 COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE (UNAUDITED)  
 Based on Tax Year

Tax Year	Taxes Receivable at July 1, 2008	Add Taxes Leined	Deduct Collections	Adjustments, Releases/ Abatements, Late Listings/Discoveries	Taxes Receivable at June 30, 2009
2009	\$ -	3,895,444	-	-	3,895,444
2008	3,909,066	-	(3,614,458)	(63,504)	231,104
2007	199,043	-	(181,452)	34,044	51,635
2006	48,437	-	(29,279)	9,590	28,748
2005	26,069	-	(13,010)	2,323	15,382
2004	17,152	-	(4,558)	2,179	14,773
2003	19,457	-	(532)	306	19,231
2002	7,931	-	-	-	7,931
2001	5,545	-	-	-	5,545
2000	7,454	-	-	-	7,454
1999	2,988	-	-	-	2,988
1998	4,059	-	-	-	4,059
1997	16,574	-	-	(16,574)	-
Total	<u>\$ 4,263,775</u>	<u>3,895,444</u>	<u>(3,843,289)</u>	<u>(31,636)</u>	<u>4,284,294</u>

As of October 1, 2009, all of the above delinquent taxes have been filed by the City Attorney with the Carter County Chancery Court.

See Independent Auditors' Report.



CITY OF ELIZABETHTON, TENNESSEE  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY (UNAUDITED)  
 LAST TEN FISCAL YEARS

Tax Year	Total		Ratio of Assessed To Actual Value	Tax Rate
	Assessed	Estimated Value		
2008	\$ 214,686,906	721,095,965	30%	1.78
2007	214,594,913	712,259,053	30%	1.78
2006	213,075,562	706,899,099	30%	1.78
2005	156,216,923	524,143,493	30%	2.30
2004	148,756,011	497,847,706	30%	2.30
2003	145,919,809	488,957,623	30%	2.30
2002	151,796,083	501,874,461	30%	2.30
2001	140,667,256	468,449,088	30%	2.30
2000	123,481,318	421,709,076	29%	2.61
* 1999	122,770,138	410,510,562	30%	2.61

\* Reappraisal Year

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
June 30, 2009

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	Fiscal Year 2009
	<hr/>
Total Assessed Property	\$ 214,686,906
	<hr/>
Legal Debt Limit - 10% of Assessed Value	21,468,691
General Obligation Debt	<hr/> (6,890,000)
Margin for Additional Borrowing	<hr/> \$ 14,578,691 <hr/>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE  
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN YEARS (UNAUDITED)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Bonded Debt	<u>\$ 4,020,000</u>	<u>3,705,000</u>	<u>3,435,000</u>	<u>3,025,000</u>	<u>2,635,000</u>	<u>2,175,000</u>	<u>1,705,000</u>	<u>1,215,000</u>	<u>685,000</u>	<u>6,890,000</u>
Assessed Valuation	<u>\$ 122,770,138</u>	<u>123,481,318</u>	<u>140,667,256</u>	<u>151,796,083</u>	<u>145,919,809</u>	<u>148,756,011</u>	<u>156,216,923</u>	<u>213,075,562</u>	<u>214,594,913</u>	<u>214,686,906</u>
Ratio of General Bonded Debt to Assessed Value	<u>3.27%</u>	<u>3.00%</u>	<u>2.44%</u>	<u>1.99%</u>	<u>1.81%</u>	<u>1.46%</u>	<u>1.09%</u>	<u>0.57%</u>	<u>0.32%</u>	<u>3.21%</u>
Bonded Debt per Capita										
Based on 1990 Census										
Based on 2000 Census	<u>13,372</u>	<u>13,372</u>								
Based on Special Census June 2002			<u>14,017</u>	<u>14,017</u>	<u>14,017</u>	<u>14,017</u>	<u>14,017</u>	<u>14,017</u>	<u>14,017</u>	<u>14,017</u>
Bonded Debt per Capita	<u>\$ 301</u>	<u>277</u>	<u>245</u>	<u>216</u>	<u>188</u>	<u>155</u>	<u>122</u>	<u>87</u>	<u>49</u>	<u>492</u>

Note: A Special Census was made on June 14, 2002 in connection with territory annexed which resulted in a population increase of 645.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
TAX RATES AND ASSESSMENTS  
LAST TEN YEARS (UNAUDITED)

Fund	Tax Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund	\$ 2.61	2.61	2.30	2.30	2.30	2.30	2.30	1.78	1.78	1.78
<u>Assessed Valuation</u>										
Real and Personal	\$ 122,635,437	123,369,815	140,540,336	151,671,448	145,919,809	148,756,011	156,216,923	213,075,562	214,594,913	214,599,241
Public Utility	134,701	111,503	126,920	124,635	112,161	119,592	94,182	88,765	87,665	87,665
Total Assessed Valuation	\$ 122,770,138	123,481,318	140,667,256	151,796,083	146,031,970	148,875,603	156,311,105	213,164,327	214,682,578	214,686,906

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
 UTILITY RATES FOR WATER AND SEWER, NUMBER OF CUSTOMERS - UNAUDITED  
 For the Fiscal Year Ended June 30, 2009

	<u>Inside Corporate Limits of City</u>	<u>Outside Corporate Limits of City</u>
<u>Water Meter Rates for Residential Commercial, and Industrial</u>		
1,000 gallons or less	Minimum \$ 6.86	Minimum 12.80
Above 1,000 to 500,000 gallons	2.90	5.54
Above 500,000 to 1,000,000 gallons	2.22	3.82
Above 1,000,000 gallons	2.13	3.58
<u>Wholesale Rates for Water for Utility Districts</u>		
First 100,000 gallons or less		Minimum 462.00
Above 100,000 gallons		4.05/m
<u>Sewer Rates for Residential, Industrial and Commercial</u>		
Base Rate	9.47	12.54
Cost per 1,000 gallons up to 9,000 gallons	2.24	4.19
Cost per 1,000 gallons over 9,000 gallons	-	3.05
<u>Number of Customers</u>		
Water (Inside and Outside)	11,348	
Sewer (Inside and Outside)	5,432	

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF UNACCOUNTED FOR WATER (UNAUDITED)  
For the Fiscal Year Ended June 30, 2009

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A	Water Treated and Purchased		
B	Water Pumped (Potable)	1,826,658,000	
C	Water Purchased	<u>15,898,100</u>	
D	Total Water Treated and Purchased (Sum Lines B and C)		1,842,556,100
E	Accounted for Water		
F	Water Sold	865,427,600	
G	Metered for Consumption	-	
H	Fire Department Usage	-	
I	Flushing	28,860,185	
J	Tank Cleaning/Filling	-	
K	Street Cleaning	-	
L	Bulk Sales	-	
M	Water Bill Adjustments	-	
N	Other (Explain)	<u>-</u>	
O	Total Accounted for Water (Sum Lines F thru N)		<u>894,287,785</u>
P	Unaccounted for Water (Line D minus Line O)		948,268,315
Q	Percent Unaccounted for Water (Line P divided by Line D times 100)		51.46%
R	Cost per 1,000 gallons of Water		\$ 6.86
S	Cost of Unaccounted for Water (Line P divided by 1000, times Line R)		\$ 6,505,121

Explain Other:

See Independent Auditors' Report.

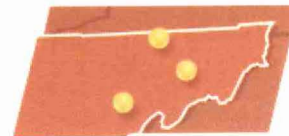
CITY OF ELIZABETHTON, TENNESSEE  
CURRENT UTILITY RATES AND NUMBER OF CUSTOMERS (UNAUDITED)  
June 30, 2009

<u>Residential Rate Schedule</u>	<u>RS</u>	
Customer Charge -		
per delivery point per month		
(\$9.50 less \$1.71 hydro allocation credit)	\$7.87	
Energy Charge - per kWh per month	\$0.07726	
<u>General Power Rate Schedule</u>	<u>GSA</u>	<u>GSB</u>
	(Demand 0- 5,000 kW)	(Demand 5,000 to 12,000 kW)
<i>Part 1.</i>		
Customer Charge		
Per delivery point per month	\$13.46	\$1,500.00
Energy Charge - per kWh per month	\$0.08782	
Per kWh up to 620 hours per month		\$0.03791
Per kWh all additional per month		\$0.03094
Demand Charge - per kW per month		\$14.21
<i>Part 2.</i>		
Customer Charge		
Per delivery point per month	\$33.64	
Demand Charge - per kW per month		
First 50 kW	\$0.00	
Excess over 50kW per month	\$12.77	
Energy charge - per kWh per month		
First 15,000 kWh	\$0.08782	
Additional kWh per month	\$0.04592	
<i>Part 3.</i>		
Customer Charge		
Per delivery point per month	\$89.63	
Demand Charge - per kW per month		
First 1,000 kW	\$12.59	
Excess over 1,000 kW	\$14.12	
Excess of higher of 2,500 kW or contract demand	\$0.00	
Energy Charge - per kWh per month		
First 15,000 kWh	\$0.08592	
Additional kWh	\$0.05430	
<u>Outdoor Lighting Rate Schedule</u>	<u>LS</u>	
Customer Charges		
Per delivery point per month	\$3.75	
Energy Charge - per kWh	\$0.05493	
<u>Number of Customers</u>		
Residential	22,552	
General	3,290	
Street, Athletic and Outdoor Lighting	154	
Total Customers	<u>25,996</u>	

See Independent Auditors' Report.

INTERNAL CONTROL AND  
COMPLIANCE SECTION





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, City Council Members  
and Interim City Manager  
City of Elizabethton, Tennessee 37643

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Elizabethton, Tennessee as of and for the year ended June 30, 2009 which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2009. We did not audit the Elizabethton Municipal Airport, a blended component unit. This entity was audited by another auditor whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditor. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Elizabethton, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 Elizabethton, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elizabethton, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Elizabethton, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Elizabethton, Tennessee's financial statements that is more than inconsequential will not be prevented or

Independent Auditors' Report on Internal  
Control over Financial Reporting  
Page 2

detected by the City of Elizabethton, Tennessee's internal control. We consider items 2009-01, 2009-02, 2009-03, 2007-03 and 2007-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Elizabethton, Tennessee's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-03 and 2007-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elizabethton, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and is described in the accompanying schedule of findings and responses as item 2009-01.

We noted certain matters that are reported to management of the City of Elizabethton, Tennessee in a separate letter dated December 21, 2009.

The City of Elizabethton, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Elizabethton, Tennessee's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Elizabethton, Tennessee management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers & Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 21, 2009

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009

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Current Year Significant Deficiencies

**2009-01: Significant Deficiency: Net Loss**

**Condition:** City: The Water and Sewer Fund experienced a net loss of approximately \$475,000 for the year. Total revenues decreased slightly, and total expenses are significantly higher than the prior year.

**Criteria:** State statutes require water operations to have a rate structure sufficient to cover expenditures. Enterprise funds should be self-supporting.

**Effect:** The effect of this deficiency is a failure to comply with the state requirements.

**Recommendation:** Revenues and expenses should be reviewed to provide adequate income for this fund. Monthly budgets and financial reports should be prepared and reviewed.

**Management's Response:** Management is aware that the Water and Sewer Fund experienced a net loss in 2009. During that year, the Valley Forge Water Plant was updated, which was funded out of normal revenues and not a debt issuance. City Council has also implemented 3% rate increases over the next five years and changes to the rate structure to provide additional funding in future years. With the one-time expense and the revenue increases, management believes this addresses the issue and compliance with State requirements.

**2009-02: Significant Deficiency: Elizabethton Electric - Information Technology Controls**

**Condition:** Electric: There was a lack of proper information technology controls, including passwords for software packages and security event logs. Exception and variance reports were not always run and reviewed. Quantity adjustments were sometimes initiated by unauthorized personnel and proper supporting evidence was not always maintained. Passwords for the CSA software were the same for all users and were not required to be changed. This issue was addressed subsequent to year-end.

**Criteria:** Proper IT controls are an essential component to the overall control environment.

**Effect:** The Electric Department risks access to its computer files by unauthorized personnel.

**Recommendation:** We recommend that the Electric Department institute a policy that requires passwords to be changed on a regular basis. It may also wish to investigate building into its software automatic expiration of passwords to ensure that they are changed periodically. Documentation should be on file and reviewed for account adjustments and should be approved by the appropriate individual.

**Management's Response:** Employee turnover and changing of location of certain personnel created this finding. After management became aware of the deficiency, procedures and controls were put in place to address this finding.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009

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Current Year Material Weakness

**2009-03: Material Weakness:** Elizabethton Electric - Account Reconciliations

**Condition:** *Electric:* General ledger accounts were not always properly reconciled or adjusted at year-end. For instance, the Stores Expenses account was not being relieved properly. The overhead rate applied to work orders appears to be incorrect, which lead to the over-distribution of this account. Certificate of Deposit balances did not reconcile to the bank balances, and an entry was necessary to adjust interest income. Accounts payable per the general ledger did not agree to the accounts payable aging report. Inventory per the general ledger did not agree to the inventory valuation report. There was a significant difference between miscellaneous receivables per the general ledger and its aging report. Adjustments were also made to the TVA and rent receivables and to compensated absences, taxes, and the OPEB liability.

**Criteria:** To present an accurate financial status of the funds of the Electric Department, each account should be properly reconciled and adjusted in a timely manner.

**Effect:** The effect of this deficiency could result in an inaccurate financial picture of the Electric Department's finances.

**Recommendation:** In order to make the financial reports generated by the accounting system as meaningful as possible, the Electric Department should examine general ledger accounts for proper postings and reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly examinations and reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations and helps provide assurance of properly reported balances.

**Management's Response:** Management agrees with the finding and is currently instituting controls to ensure that proper general ledger reconciliations occur and are timely.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009

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Prior Year Significant Deficiencies Not Implemented

**2007-03: Significant Deficiency:** Elizabethton Electric Work Orders (6-30-07 Report, with additional current year items noted)

**Condition:** *Electric:* Proper work order procedures and controls were not always followed. In some instances, materials and contracted labor were entered as both a purchase order and a payable. This required the reversal of those amounts that were entered twice. There is a general lack of understanding of the various reports printed from the WMS, especially those reports detailing open, active, and closed projects. It appears that engineering did not always properly describe any aid to construction information on the work order. Work orders often lacked a list of materials used. Monthly transportation logs do not appear to have been filled out correctly; the depreciation per the log did not match the computer-generated entry for depreciation. There was a lack of communication of trade-in value when a new truck was purchased.

**Criteria:** Procedures for work orders should be followed to document all aspects of the work in order to enhance internal controls over the financial reporting process. These should be routinely reviewed for the status of the job, and necessary adjustments should be documented and posted to close or transfer completed projects.

**Effect:** The effect of this deficiency results in a weakness in proper controls over financial reporting.

**Recommendation:** We recommend that work orders be completed in full detail, and work orders should be reviewed and properly approved.

**Management's Response:** Management agrees with the finding. We are currently looking at new procedures, including changing software vendors, and looking at current procedures to see what changes need to be made to address this finding.

CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009

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Prior Year Material Weakness Not Implemented

**2007-04: Material Weakness:** Elizabethton Electric - Adjustments and Reporting (6-30-07 Report with additional current year items noted)

**Condition:** *Electric:* It does not appear that proper and timely account reconciliations and independent review were in place. Some monthly reports were not timely completed or reconciled, and financial reports were not always presented to or approved by the governing body.

**Criteria:** To enhance internal controls and to increase proper oversight and independent review, all adjustments and transfers should be appropriately documented and approved. General ledger accounts should be timely reviewed, reconciled to the corresponding subsidiary reports, and adjusted. Timely and accurate financial reports should be prepared and submitted to the Electric Utility Director, Director of Finance, and City Council.

**Effect:** The effect of this weakness creates the possibility that misstatements may not be timely noted or corrected.

**Recommendation:** We recommend a procedure be in place for making routine, monthly, and year-end adjustments. The procedures should require that supporting documentation be maintained for all entries and transfers, including indication of appropriate review and approval. Accounts should be timely reviewed, reconciled, and adjusted. Monthly financial reports should be prepared and reviewed.

**Management's Response:** Management agrees with the finding. As stated before, additional procedures will be looked at to ensure proper reporting of transactions in the general ledger.

Prior Year Findings Implemented

<u>Number</u>	<u>Finding</u>	<u>Page</u>
08-01	Grant Documentation and Procedures	122
07-01	Purchasing and Travel Procedures	122
07-02	Account Reconciliations	123