



**CITY OF ELIZABETHTON, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

**CITY OF ELIZABETHTON, TENNESSEE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2016**

**CITY OF ELIZABETHTON, TENNESSEE**  
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## **INTRODUCTORY SECTION**

**CITY OF ELIZABETHTON, TENNESSEE**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**June 30, 2016**

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**Elected Officials**

Mayor	Curt Alexander
Mayor Pro-Tem	William E. "Bill" Carter
Councilman	Robert W. Cable, Jr.
Councilman	Wes Frazier
Councilman	Samuel B. Shipley
Councilman	D. Richard Tester
Councilman	Jeffrey C. Treadway

**Appointed Officials**

City Manager	Jerome Kitchens, CMFO
Director of Finance / City Clerk	Deborah B. Kessler, CMFO



## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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), which represents twenty-nine percent, thirty-nine percent, and six percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, 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, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 5 through 13 and 128 through 134 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the supplemental section, and the other supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the supplemental section, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules and supplemental section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other supplemental sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Blackburn, Childers & Steagall, PLLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 14, 2016

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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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 year ended June 30, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by **\$78,859,476** (*net position*). Of this amount, **\$67,516,355** is net investment in capital assets.
- The City's total net position increased by **\$2,739,777**.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of **\$7,951,983**. Of this amount, **\$56,988** is Non-Spendable, **\$314,517** is Restricted, **\$2,772,477** is Committed, **\$729,995** is Assigned and **\$4,078,006** is Unassigned Fund Balance.
- At the end of the current year, fund balance for the general fund was **\$7,364,956** or **39.3%** of total general fund expenditures including transfers out. This balance included **\$31,988** Nonspendable, **\$35,195** Restricted, **\$2,703,234** Committed, **\$516,533** Assigned and **\$4,078,006** Unassigned Fund Balances.
- The City's total debt decreased by **\$3,082,090 (4.9%)** during the current year, excluding the Net Pension Liability.

**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 and supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes, etc.).

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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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 sanitation. The government-wide financial statements can be found on pages 14 through 15 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 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 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.

In the prior year, the City maintained ten (10) individual governmental funds. In the current year, the City maintains ten (10) individual governmental funds. Nine (9) 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, aggregate 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 16 through 34 of this report.

The City adopts an annual appropriation budget for its general and other 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, electric department, and sanitation.

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 sanitation. The basic proprietary fund financial statements can be found on pages 35 through 39 of this report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

**Fiduciary Funds.** The City maintains one fiduciary fund. The other post-employment benefit trust fund is used to report resources that are required to be held in trust for the members and beneficiaries of other post-employment benefit plans. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds financial statements can be found on page 40 through 41 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 42 through 127 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 135 through 146 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by **\$78,859,476** at the close of the most recent year.

By far, the largest portion of the City's net position (**86%**) 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.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets:</b>						
Current Assets	\$ 13,820,707	15,052,402	32,289,488	33,520,147	46,110,195	48,572,549
Other Assets	-	-	1,345,369	1,341,146	1,345,369	1,341,146
Plant and Equipment (Net)	12,331,455	12,491,756	103,973,653	106,148,931	116,305,108	118,640,687
Net OPEB Asset	172,307	-	790,825	-	963,132	-
<b>Total Assets</b>	<b>26,324,469</b>	<b>27,544,158</b>	<b>138,399,335</b>	<b>141,010,224</b>	<b>164,723,804</b>	<b>168,554,382</b>
<b>Deferred Outflows of Resources:</b>						
Deferred Bond Refunding Costs	-	-	612,904	681,053	612,904	681,053
Deferred Outflows Related to Pensions	736,039	708,646	2,287,978	1,189,361	3,024,017	1,898,007
<b>Total Deferred Outflow of Resources</b>	<b>736,039</b>	<b>708,646</b>	<b>2,900,882</b>	<b>1,870,414</b>	<b>3,636,921</b>	<b>2,579,060</b>
<b>Liabilities:</b>						
Current Liabilities	701,540	469,143	13,261,984	13,805,999	13,963,524	14,275,142
Long-Term Liabilities						
Due Within One Year	1,175,048	1,216,923	2,503,485	2,437,110	3,678,533	3,654,033
Due Within More Than One Year	12,349,160	14,362,344	54,194,130	56,419,709	66,543,290	70,782,053
<b>Total Liabilities</b>	<b>14,225,748</b>	<b>16,048,410</b>	<b>69,959,599</b>	<b>72,662,818</b>	<b>84,185,347</b>	<b>88,711,228</b>
<b>Deferred Inflows of Resources:</b>						
Deferred Revenues - Property Tax	4,825,778	4,859,528	-	-	4,825,778	4,859,528
Deferred Inflows Related to Pensions	318,820	841,435	171,304	601,552	490,124	1,442,987
<b>Total Deferred Inflow of Resources</b>	<b>5,144,598</b>	<b>5,700,963</b>	<b>171,304</b>	<b>601,552</b>	<b>5,315,902</b>	<b>6,302,515</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	10,406,073	10,101,344	57,110,282	56,937,126	67,516,355	67,038,470
Restricted	486,824	294,328	790,825	-	1,277,649	294,328
Unrestricted	(3,202,735)	(3,892,241)	13,268,207	12,679,142	10,065,472	8,786,901
<b>Total Net Position</b>	<b>\$ 7,690,162</b>	<b>6,503,431</b>	<b>71,169,314</b>	<b>69,616,268</b>	<b>78,859,476</b>	<b>76,119,699</b>

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

The government's net position **increased \$2,739,777** during the current year. Of the total change, governmental activities increased **\$1,186,731** while business-type activities increased **\$1,553,046**.

The following is a summary of financial activities for the City during the 2016 year:

City of Elizabethton CHANGE IN NET POSITION As of June 30, 2016						
	Governmental Activities		Business-Type Activities		Total	
<u>Revenues</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program Revenues:						
Charges for Services	\$ 1,207,355	1,459,193	62,986,691	65,736,396	64,194,046	67,195,589
Operating Grants	12,981	25,093	-	-	12,981	25,093
Capital Grants	-	7,184	56,467	388,608	56,467	395,792
Total Program Revenues	1,220,336	1,491,470	63,043,158	66,125,004	64,263,494	67,616,474
General Revenues:						
Property Taxes	4,884,043	4,931,901	-	-	4,884,043	4,931,901
Other Taxes	5,661,313	5,292,005	-	-	5,661,313	5,292,005
Miscellaneous	2,623,477	1,816,172	36,551	46,766	2,660,028	1,862,938
Total General Revenues	13,168,833	12,040,078	36,551	46,766	13,205,384	12,086,844
<b>Total Revenues</b>	<b>14,389,169</b>	<b>13,531,548</b>	<b>63,079,709</b>	<b>66,171,770</b>	<b>77,468,878</b>	<b>79,703,318</b>
<u>Expenses - Governmental Activities</u>						
General Government	649,464	1,107,009	-	-	649,464	1,107,009
Public Safety	4,627,952	5,481,940	-	-	4,627,952	5,481,940
Public Works	2,319,957	2,091,850	-	-	2,319,957	2,091,850
Health and Welfare	174,175	193,085	-	-	174,175	193,085
Building Code Enforcement	311,856	330,889	-	-	311,856	330,889
Community Development	120,608	143,365	-	-	120,608	143,365
Culture and Recreation	1,169,662	1,334,923	-	-	1,169,662	1,334,923
Education	2,543,220	2,342,086	-	-	2,543,220	2,342,086
Airport	145,000	145,000	-	-	145,000	145,000
Golf Course	140,000	50,000	-	-	140,000	50,000
Other	308,422	118,347	-	-	308,422	118,347
Contribution to OPEB Trust	1,785,783	-	-	-	1,785,783	-
Interest on Long-Term Debt	381,245	390,134	-	-	381,245	390,134
<b>Total Governmental Activities</b>	<b>14,677,344</b>	<b>13,728,628</b>	<b>0</b>	<b>0</b>	<b>14,677,344</b>	<b>13,728,628</b>
<u>Business-Type Activities:</u>						
Water and Sewer	-	-	8,137,504	7,991,875	8,137,504	7,991,875
Electric Department	-	-	50,934,601	53,635,100	50,934,601	53,635,100
Sanitation	-	-	979,652	959,948	979,652	959,948
<b>Total Business-Type Activities</b>	<b>0</b>	<b>0</b>	<b>60,051,757</b>	<b>62,586,923</b>	<b>60,051,757</b>	<b>62,586,923</b>
<b>Total Expenses</b>	<b>14,677,344</b>	<b>13,728,628</b>	<b>60,051,757</b>	<b>62,586,923</b>	<b>74,729,101</b>	<b>76,315,551</b>
Transfers	1,474,906	1,487,838	(1,474,906)	(1,487,838)	-	-
<b>Change in Net Position</b>	<b>1,186,731</b>	<b>1,290,758</b>	<b>1,553,046</b>	<b>2,097,009</b>	<b>2,739,777</b>	<b>3,387,767</b>
Net Position, Beginning	6,503,431	7,982,041	69,616,268	75,245,346	76,119,699	83,227,387
Prior Period Adjustment	-	(73,753)	-	-	-	(73,753)
Prior Period Restatement	-	(2,695,615)	-	(7,726,087)	-	(10,421,702)
Net Position, Beginning (Restated)	6,503,431	5,212,673	69,616,268	67,519,259	76,119,699	72,731,932
<b>Net Position, Ending</b>	<b>\$ 7,690,162</b>	<b>6,503,431</b>	<b>71,169,314</b>	<b>69,616,268</b>	<b>78,859,476</b>	<b>76,119,699</b>

Governmental activities increased the City's net position by **\$1,186,731**. A reconciliation of this increase can be found on page 19 of this report. Business-type activities increased the City's net position by **\$1,553,046**.

### 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.



**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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**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, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the year. As of the end of the current year, the City's governmental funds reported combined ending fund balances of **\$7,951,983**. Of this amount, **\$56,988** is Nonspendable, **\$314,517** is Restricted, **\$2,772,477** is Committed, **\$729,995** is Assigned, and **\$4,078,006** is Unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached **\$7,364,956**, including **\$31,988** Nonspendable, **\$35,195** Restricted, **\$2,703,234** Committed, **\$516,533** Assigned and **\$4,078,006** Unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents **21.7%** of total general fund expenditures and transfers out, while total fund balance represents **39.3%** of that same amount.

Non-major (other) governmental funds have a fund balance of **\$587,027**. The net **decrease** in fund balance during the current year was **\$33,590**.

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

Unrestricted net position of the proprietary funds at the end of the year amounted to **\$13,268,207**. 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 an **increase** in appropriations and some of the differences include the following:

<b>\$ 25,842</b>	<b>Funding to purchase Police vehicle not received in prior year</b>
<b>100,000</b>	<b>To increase funding for Carter County Rescue Squad</b>
<b>4,011</b>	<b>Funding for gate at the Airport Industrial Park</b>
<b>1,670,283</b>	<b>Funding to cover transfer of OPEB Investment monies to National Finance Services</b>
<b>70,000</b>	<b>Funding to pay Elizabethton Golf Course invoices</b>
<b>40,000</b>	<b>Funding for Downtown Bathroom Project</b>

Of this **increase**, the cost was funded from Fund Balance Appropriated.

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, 2016.

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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

		2016		Operating Grants and Contributions	General Fund Subsidy
General Government	Expenses	Revenues			
General Government	\$ 649,464	717,925	-		(68,461)
Public Safety	4,627,952	374,380	9,931		4,243,641
Public Works	2,319,957	-	-		2,319,957
Community Development	120,608	-	-		120,608
Health and Welfare	174,175	15	-		174,160
Culture and Recreation	1,169,662	115,035	3,050		1,051,577
<b>Total General Fund Subsidy</b>					<b>7,841,482</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, 2016, amounts to **\$116,305,108** (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 year included the following:

- Two New Vehicles/Bobcat Planer/Meter Pit RTU – Water Dept.
- Replacement of Scenic Drive, Siam Rd, Keg Motter, John Hall, Eastside, Ledford Street, Berry Rd., Paty Place Water Lines
- Six New Vehicles – Police Dept.
- Replacement of Burgie (Williams to Dakota) Sewer Line/Steel Frame Building / WWTP Equipment / WWTP Electrical Equipment/Gearbox/Wall Heaters – Sewer/Waste Water Dept.
- Bonnie Kate Theater Building – Planning & Development
- HVAC Unit Replacement (Upstairs & Downstairs) – City Hall – Building Code Dept.
- New Carpet – Library Dept.
- One New Vehicle/New Sidewalks beside Post Office/John Deere Mower/Pressure Washer/ City Garage Camera/ Leaf Vacuum Curb Nozzle/ Canopy Repairs on Elk Ave. – Street Dept.
- Powerscape Swing Set Equipment/Sidewalks at Edwards Island/ Additional Parking Lot at Twins Field – Park & Recreation Dept.
- Three New Roll Off Dumpsters/ Recycling Drop Off Pad at Lyons Field – Sanitation Dept.
- Phone System Upgrade – Finance Dept.
- Traffic Signal Intersection of Veterans Pkwy, Elk, Siam, & Bluefield / One New Vehicle – Engineering Dept.

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

**City of Elizabethton**  
**Total Net Capital Assets**  
**as of June 30, 2016**

	Governmental Activities		Business - Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Net Capital Assets						
Land	\$ 1,943,594	1,943,594	1,513,969	1,513,969	3,457,563	3,457,563
Water Right	-	-	4,104,167	4,354,167	4,104,167	4,354,167
Library Infrastructure	493,927	660,275	-	-	493,927	660,275
Construction in Progress	425,971	368,911	544,365	3,399,457	970,336	3,768,368
Buildings and Improvements	3,622,702	3,637,951	12,418,399	12,771,278	16,041,101	16,409,229
Motor Equipment	1,241,213	1,224,022	6,455,555	5,186,173	7,696,768	6,410,195
Office Equipment	783,221	757,636	1,453,545	771,522	2,236,766	1,529,158
Infrastructure	3,820,827	3,899,367	77,483,653	78,152,365	81,304,480	82,051,732
<b>Total Net Capital Assets</b>	<b>\$ 12,331,455</b>	<b>12,491,756</b>	<b>103,973,653</b>	<b>106,148,931</b>	<b>116,305,108</b>	<b>118,640,687</b>

Additional information on the City's capital assets can be found in Note 6 on pages 63 through 65 of this report.

**Long-term debt.** At the end of the current year, the City had total debt outstanding (excluding the net pension liability) of **\$59,298,056**. All of this debt is backed by the full faith and credit of the government.

**City of Elizabethton**  
**Debt Outstanding**  
**As of June 30, 2016**

	Governmental Activities		Business - Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Outstanding Debt</b>						
General Obligation	\$ 9,983,462	10,741,536	-	-	9,983,462	10,741,536
Notes Payable	821,921	898,876	4,411,799	4,690,771	5,233,720	5,589,647
Revenue Bonds	-	-	43,198,296	45,202,087	43,198,296	45,202,087
Compensated Absences	406,772	379,566	475,806	467,310	882,578	846,876
<b>Total Outstanding Debt</b>	<b>\$ 11,212,155</b>	<b>12,019,978</b>	<b>48,085,901</b>	<b>50,360,168</b>	<b>59,298,056</b>	<b>62,380,146</b>

The City's total debt, excluding the net Pension liability, **decreased \$3,082,090 (4.9%)** during the current year. The decrease (net effect) was due to the reduction of debt in the Utility Department. The City maintains an '**A1**' 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 7 on pages 66 through 81 of this report.

**CITY OF ELIZABETHTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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

- The unemployment rate for the metropolitan statistical area is currently **4.4%**, which is a **decrease** of **2.4%** from a year ago. This compares to the state's average unemployment rate of **4.1%** as of May 31, 2016.
- Inflationary trends in the region are comparable to national indexes.
- New construction permitted and inspected over the previous year was **\$11,151,242**, of which **\$5,993,215** is commercial, including **54 permits issued**.
- Local sales tax collections are expected to increase approximately **3.0%** in year 2017 as a continuation of the current trend towards moderate improvement of the economy.

All of these factors were considered in preparing the City's budget for year 2016-17.

During the current year, unassigned fund balance in the general fund increased \$152,022. The increase was due to (1) final expenses being less than budget, (2) a planned increase in fund balance.

As the result of a water and sewer cost rate study by the City finance director, water rates were recommended to be increased by 10% in year 2009 and a 3% increase for each year until year 2020 to fund inflationary costs associated with operations and planned capital improvements. Sewer rate adjustments were implemented by council with a rate increase of 10% for year 2011, a 5% increase each year until year 2016, and a 3% increase each year until year 2020. 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  
PO Box 340  
Elizabethton, TN 37643  
Phone (423) 542-8051

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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**-AIRPORT-**

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

Elizabethton Municipal Airport  
415 Highway 91  
Elizabethton, TN 37643  
Phone (423) 543-2801

**Other Separately Issued Reports**

**-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 POSITION**  
**June 30, 2016**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education	Elizabethton Municipal Golf Course
<b>ASSETS</b>						
Cash and Cash on Hand	\$ 2,127,496	14,758,581	16,886,077	131,895	1,500,822	90,363
Investments	1,939,789	6,961,076	8,900,865	-	-	-
Receivables (Net of Allowances for Uncollectibles)						
Taxes	5,212,305	-	5,212,305	-	-	-
Accounts	12,245	6,227,498	6,239,743	42,116	2,908	258
Internal Balances	109,725	(109,725)	-	-	-	-
Due from Other Governments	1,290,864	26,367	1,317,231	211,226	4,075,006	-
Inventories	29,175	1,313,900	1,343,075	42,782	15,545	22,171
Prepaid Expense	2,813	-	2,813	-	-	291
Restricted Assets						
Investments	3,096,295	-	3,096,295	-	-	-
Cash	-	3,111,791	3,111,791	27,780	-	-
Other Assets	-	1,345,369	1,345,369	255	-	-
Capital Assets						
Land	1,943,594	1,513,969	3,457,563	4,539,250	216,170	-
Water Right	-	4,104,167	4,104,167	-	-	-
Construction In Progress	425,971	544,365	970,336	3,435,614	6,665,688	-
Library Infrastructure	493,927	-	493,927	-	-	-
Buildings and Improvements	7,776,937	26,705,770	34,482,707	4,852,351	23,747,807	72,334
Motor Equipment	4,750,821	12,715,883	17,466,704	453,026	1,946,121	807,983
Office Equipment	2,900,588	2,318,186	5,218,774	-	-	13,442
Infrastructure	11,404,897	114,395,284	125,800,181	-	-	1,465,847
Less: Accumulated Depreciation	(17,365,280)	(58,323,971)	(75,689,251)	(2,532,216)	(11,901,494)	(1,856,550)
Net OPEB Asset	172,307	790,825	963,132	-	-	-
Net Pension Asset - Teacher Retirement Plan	-	-	-	-	11,002	-
<b>TOTAL ASSETS</b>	<b>26,324,469</b>	<b>138,399,335</b>	<b>164,723,804</b>	<b>11,204,079</b>	<b>26,279,575</b>	<b>616,139</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Bond Refunding Costs	-	612,904	612,904	-	-	-
Deferred Outflows Related to Pensions	736,039	2,287,978	3,024,017	20,034	1,413,289	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>736,039</b>	<b>2,900,882</b>	<b>3,636,921</b>	<b>20,034</b>	<b>1,413,289</b>	<b>0</b>
<b>LIABILITIES</b>						
Accounts Payable	545,792	6,532,205	7,077,997	251,757	1,184,711	14,427
Retainages Payable	-	-	-	144,523	-	-
Customer Deposits	-	3,111,791	3,111,791	125	-	-
Advance from TVA	-	1,325,997	1,325,997	-	-	-
Accrued Expenses	125,229	1,964,304	2,089,533	5,114	-	15,369
Due to Other Governments	12,877	-	12,877	-	-	-
Other Liabilities	17,642	327,687	345,329	-	-	1,153
Unearned Revenues	-	-	-	33,528	-	94,817
Noncurrent Liabilities						
Due Within One Year	1,175,048	2,503,485	3,678,533	110,777	14,211	18,240
Due In More Than One Year	12,349,160	54,194,130	66,543,290	169,776	4,266,113	44,192
<b>TOTAL LIABILITIES</b>	<b>14,225,748</b>	<b>69,959,599</b>	<b>84,185,347</b>	<b>715,600</b>	<b>5,465,035</b>	<b>188,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	4,825,778	-	4,825,778	-	3,137,809	-
Deferred Inflows Related to Pensions	318,820	171,304	490,124	9,489	2,800,832	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,144,598</b>	<b>171,304</b>	<b>5,315,902</b>	<b>9,489</b>	<b>5,938,641</b>	<b>0</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	10,406,073	57,110,282	67,516,355	10,233,537	20,674,292	440,624
Restricted	486,824	790,825	1,277,649	27,780	278,737	875
Unrestricted	(3,202,735)	13,268,207	10,065,472	237,707	(4,663,841)	(13,558)
<b>TOTAL NET POSITION</b>	<b>\$ 7,690,162</b>	<b>71,169,314</b>	<b>78,859,476</b>	<b>10,499,024</b>	<b>16,289,188</b>	<b>427,941</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education	Elizabethton Municipal Golf Course
<b>Primary Government</b>										
Governmental Activities										
General Government	\$ 649,464	717,925	-	-	68,461	-	68,461	-	-	-
Public Safety	4,627,952	374,380	9,931	-	(4,243,641)	-	(4,243,641)	-	-	-
Public Works	2,319,957	-	-	-	(2,319,957)	-	(2,319,957)	-	-	-
Health and Welfare	174,175	15	-	-	(174,160)	-	(174,160)	-	-	-
Building Code Enforcement	311,856	-	-	-	(311,856)	-	(311,856)	-	-	-
Community Development	120,608	-	-	-	(120,608)	-	(120,608)	-	-	-
Culture and Recreation	1,169,662	115,035	3,050	-	(1,051,577)	-	(1,051,577)	-	-	-
Education	2,543,220	-	-	-	(2,543,220)	-	(2,543,220)	-	-	-
Airport	145,000	-	-	-	(145,000)	-	(145,000)	-	-	-
Golf Course	140,000	-	-	-	(140,000)	-	(140,000)	-	-	-
Other	308,422	-	-	-	(308,422)	-	(308,422)	-	-	-
Contribution to OPEB Trust	1,785,783	-	-	-	(1,785,783)	-	(1,785,783)	-	-	-
Interest on Long-Term Debt	381,245	-	-	-	(381,245)	-	(381,245)	-	-	-
Total Governmental Activities	14,677,344	1,207,355	12,981	0	(13,457,008)	0	(13,457,008)	0	0	0
Business-Type Activities										
Water and Sewer	8,137,504	8,837,048	-	32,805	-	732,349	732,349	-	-	-
Electric Department	50,934,601	52,956,419	-	-	-	2,021,818	2,021,818	-	-	-
Sanitation	979,652	1,193,224	-	23,662	-	237,234	237,234	-	-	-
Total Business-Type Activities	60,051,757	62,986,691	0	56,467	0	2,991,401	2,991,401	0	0	0
Total Primary Government	\$ 74,729,101	64,194,046	12,981	56,467	(13,457,008)	2,991,401	(10,465,607)	0	0	0
<b>Component Units</b>										
Airport	\$ 930,574	857,227	159,300	572,215	-	-	-	658,168	-	-
Education - School Board	23,104,500	614,587	5,596,014	-	-	-	-	-	(16,893,899)	-
Golf Course	642,473	672,204	-	-	-	-	-	-	-	29,731
Total Component Units	\$ 24,677,547	2,144,018	5,755,314	572,215	0	0	0	658,168	(16,893,899)	29,731
General Revenues										
Taxes										
Property Taxes					4,884,043	-	4,884,043	-	3,027,326	-
Sales Taxes					4,726,734	-	4,726,734	-	2,036,009	-
In-Lieu of Taxes					22,973	-	22,973	-	-	-
Business Taxes					404,244	-	404,244	-	-	-
Other Taxes					507,362	-	507,362	-	87,643	-
Other Local Governments					42,869	-	42,869	-	2,184	-
State Aid					2,162,699	-	2,162,699	-	12,369,143	-
Unrestricted Investment Earnings					18,824	36,551	55,375	284	9,241	48
Gain/(Loss) on Disposal of Capital Assets					(195,955)	-	(195,955)	-	(7,333)	-
Contributions not Restricted to Specific Programs					-	-	-	-	502,286	-
Miscellaneous					595,040	-	595,040	-	72,535	-
Transfers					1,474,906	(1,474,906)	-	-	-	-
Total General Revenues, Transfers and Special Items					14,643,739	(1,438,355)	13,205,384	284	18,099,034	48
Change in Net Position					1,186,731	1,553,046	2,739,777	658,452	1,205,135	29,779
Net Position - Beginning					6,503,431	69,616,268	76,119,699	9,840,572	15,084,053	412,532
Prior Period Adjustment					-	-	-	-	-	(14,370)
Net Position - Beginning (Restated)					6,503,431	69,616,268	76,119,699	9,840,572	15,084,053	398,162
Net Position - Ending					\$ 7,690,162	71,169,314	78,859,476	10,499,024	16,289,188	427,941

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash on Hand	\$ 1,602,958	524,538	2,127,496
Investments	1,859,609	80,180	1,939,789
Receivables (Net of Allowances for Uncollectibles)			
Taxes	5,212,305	-	5,212,305
Accounts	12,245	-	12,245
Due From Other Funds	110,828	1,083	111,911
Due From Other Governments	1,290,864	-	1,290,864
Inventories	29,175	-	29,175
Prepaid Expense	2,813	-	2,813
Restricted Assets - Investments	3,096,295	-	3,096,295
<b>TOTAL ASSETS</b>	<b><u>\$ 13,217,092</u></b>	<b><u>605,801</u></b>	<b><u>13,822,893</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 545,763	29	545,792
Other Liabilities	-	17,642	17,642
Due to Other Governments	12,877	-	12,877
Due to Other Funds	1,083	1,103	2,186
<b>TOTAL LIABILITIES</b>	<b><u>559,723</u></b>	<b><u>18,774</u></b>	<b><u>578,497</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Current Property Taxes	4,825,778	-	4,825,778
Other Deferred Unavailable Revenues	466,635	-	466,635
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>5,292,413</u></b>	<b><u>0</u></b>	<b><u>5,292,413</u></b>
<b>FUND BALANCES</b>			
Total Nonspendable	31,988	25,000	56,988
Total Restricted	35,195	279,322	314,517
Total Committed	2,703,234	69,243	2,772,477
Total Assigned	516,533	213,462	729,995
Total Unassigned	4,078,006	-	4,078,006
<b>TOTAL FUND BALANCES</b>	<b><u>7,364,956</u></b>	<b><u>587,027</u></b>	<b><u>7,951,983</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 13,217,092</u></b>	<b><u>605,801</u></b>	<b><u>13,822,893</u></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 POSITION**  
**June 30, 2016**

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Total Fund Balances - Governmental Funds	\$ 7,951,983
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$29,696,735 and the accumulated depreciation is \$(17,365,280).	12,331,455
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	466,635
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The net OPEB asset is not an available resource and; therefore, is not reported in the governmental funds.	172,307
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Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds.	(125,229)
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Long-term pension retirement plans are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension asset/(liability) in the amount of (\$2,312,053), net of deferred inflows in the amount of (\$318,820) and deferred outflows in the amount of \$736,039.	(1,894,834)
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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, capital leases and compensated absences.	<u>(11,212,155)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 7,690,162</u></u>
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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 Year Ended June 30, 2016**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 10,456,895	-	10,456,895
Licenses and Permits	244,919	-	244,919
Intergovernmental	2,218,549	-	2,218,549
Charges for Services	1,876,644	-	1,876,644
Fines and Forfeitures	207,688	166,692	374,380
Miscellaneous	587,945	7,095	595,040
Interest Earnings	18,256	568	18,824
<b>TOTAL REVENUES</b>	<b>15,610,896</b>	<b>174,355</b>	<b>15,785,251</b>
<b>EXPENDITURES</b>			
General Government	2,161,233	5,461	2,166,694
Public Safety	5,346,044	102,583	5,448,627
Public Works	2,213,594	-	2,213,594
Health and Welfare	173,292	-	173,292
Building Code Enforcement	311,856	-	311,856
Community Development	120,608	-	120,608
Culture and Recreation	1,314,911	-	1,314,911
Golf Course	140,000	-	140,000
Education	2,543,220	-	2,543,220
Airport	145,000	-	145,000
Special Appropriations	246,672	-	246,672
Debt Service	1,399,112	-	1,399,112
Contributions to OPEB Trust	1,785,783	-	1,785,783
Other Operating Expenditures	-	61,750	61,750
Capital Outlay	838,527	52,151	890,678
<b>TOTAL EXPENDITURES</b>	<b>18,739,852</b>	<b>221,945</b>	<b>18,961,797</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,128,956)</b>	<b>(47,590)</b>	<b>(3,176,546)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Outlay Note Issued	177,500	-	177,500
Transfers In	1,474,906	14,000	1,488,906
Transfers Out	(14,000)	-	(14,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,638,406</b>	<b>14,000</b>	<b>1,652,406</b>
<b>Net Change in Fund Balances</b>	<b>(1,490,550)</b>	<b>(33,590)</b>	<b>(1,524,140)</b>
<b>Fund Balances - Beginning</b>	<b>8,855,506</b>	<b>620,617</b>	<b>9,476,123</b>
<b>Fund Balances - Ending</b>	<b>\$ 7,364,956</b>	<b>587,027</b>	<b>7,951,983</b>

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 Year Ended June 30, 2016**

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Net Change in Fund Balances - Total Governmental Funds	\$ (1,524,140)
Amounts reported for governmental activities in the Statement of Activities 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 capital outlay expense of \$890,678 exceeds depreciation expense of \$855,024.	35,654
Because some property taxes and grants will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues and grants increased by this amount for the current year.	88,461
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) is to decrease net position.	(195,955)
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.	(27,206)
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 Position.	1,009,455
The issuance of long-term debt (e.g., bonds and capital outlay notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of current year debt proceeds.	(177,500)
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.	5,338
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: Net OPEB Asset.	1,551,800
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. This is the net amount of the change in Deferred Outflows of Resources Related to Pensions of \$27,393, change in Deferred Inflows of Resources Related to Pensions of \$522,615, and the change in Net Position Liability of (\$132,258).	417,750
Governmental funds report the effect of bond premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	3,074
Change in Net Position of Governmental Activities	<u>\$ 1,186,731</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 BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General Property Taxes				
Current Property Taxes	\$ 4,482,788	4,482,788	4,341,325	(141,463)
Delinquent Property Taxes	446,783	446,783	378,585	(68,198)
Interest, Penalty and Attorney Fees	101,929	101,929	75,672	(26,257)
Total General Property Taxes	5,031,500	5,031,500	4,795,582	(235,918)
General Sales Tax				
Local Option Sales Tax	3,723,400	3,723,400	3,868,626	145,226
Selective Use and Sales Tax				
Local Beer Tax 17%	508,500	508,500	507,362	(1,138)
In-Lieu of Taxes				
Elizabethton Housing Authority	15,175	15,175	18,985	3,810
Brookhaven Homes for Elderly	3,500	3,500	3,988	488
Total In-Lieu of Taxes	18,675	18,675	22,973	4,298
Gross Receipts Taxes	349,000	349,000	404,244	55,244
Local Option	790,000	790,000	858,108	68,108
Total Taxes	10,421,075	10,421,075	10,456,895	35,820

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
REVENUES (CONTINUED)				
Licenses and Permits				
Licenses				
Beer License	5,000	5,000	3,726	(1,274)
Retail Liquor	103,700	103,700	119,940	16,240
Electric, Gas and Plumbing	144	144	105	(39)
Fireworks	1,500	1,500	1,300	(200)
Total Licenses	110,344	110,344	125,071	14,727
Special Permits				
Electrical	15,000	15,000	21,836	6,836
Building	82,683	82,683	88,385	5,702
Plumbing	6,492	6,492	5,068	(1,424)
Gas	4,000	4,000	2,579	(1,421)
Demolition	500	500	750	250
Curb Cuts	100	100	90	(10)
Miscellaneous Permits	668	668	390	(278)
Pool	36	36	150	114
Erosion and Sediment	450	450	600	150
Total Special Permits	109,929	109,929	119,848	9,919
Total Licenses and Permits	220,273	220,273	244,919	24,646
Intergovernmental Revenue				
Federal through State				
Library Grant	344	344	3,050	2,706
HIDTA	17,000	17,000	9,931	(7,069)
Total Federal through State	17,344	17,344	12,981	(4,363)

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
REVENUES (CONTINUED)				
Intergovernmental Revenue (Continued)				
State Awards				
TN Dept. of Transportation - Highway Maint.	64,000	64,000	71,082	7,082
Total State Awards	64,000	64,000	71,082	7,082
State Shared Revenues				
City Streets	29,022	29,022	28,848	(174)
Public Safety Supplemental Pay	42,000	42,000	42,000	-
Mixed Drink Tax	20,000	20,000	22,447	2,447
Income Tax	180,000	180,000	222,118	42,118
Sales Tax	1,055,159	1,055,159	1,139,465	84,306
State Street Aid	372,000	372,000	389,964	17,964
Beer Tax	8,049	8,049	6,922	(1,127)
TVA Replacement Tax	165,590	165,590	169,698	4,108
Excise Tax	95,000	95,000	68,925	(26,075)
Telecommunications Tax	1,409	1,409	1,230	(179)
Total State Shared Revenues	1,968,229	1,968,229	2,091,617	123,388
Local Government Revenue				
Carter County-Animal Shelter	2,342	2,342	-	(2,342)
Carter County-Library	31,588	31,588	31,588	-
Carter County-Park and Recreation	11,281	11,281	11,281	-
Total Local Government Revenue	45,211	45,211	42,869	(2,342)
Total Intergovernmental Revenue	2,094,784	2,094,784	2,218,549	123,765

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
REVENUES (CONTINUED)				
Charges for Services				
Various General Government Charges				
Garage Services	574,410	574,410	355,862	(218,548)
Elizabethton Water and Sewer Division	658,677	658,677	658,677	-
Elizabethton Electric Department	656,870	656,870	629,911	(26,959)
Special Police Services	91,398	91,398	117,144	25,746
Total Various General Government Charges	1,981,355	1,981,355	1,761,594	(219,761)
Health				
Dog Tags	43	43	15	(28)
Total Health	43	43	15	(28)
Culture and Recreation				
Swimming Pool-Season Tickets	300	300	240	(60)
Swimming Pool-Daily Tickets	16,000	16,000	19,972	3,972
Swimming Pool-Concessions	711	711	601	(110)
Baseball-Season Tickets	3,500	3,500	3,135	(365)
Baseball-Daily Tickets	19,233	19,233	11,371	(7,862)
Baseball-Souvenir Sales	10,671	10,671	8,158	(2,513)
Baseball-Advertising	24,885	24,885	25,234	349
Parks-Concession Sales	5,112	5,112	3,769	(1,343)
Other Miscellaneous - Park and Recreation	13,898	13,898	13,858	(40)
League Entrance Fees	16,500	16,500	16,110	(390)
Pavilion Rental	1,176	1,176	2,080	904
Rental	7,000	7,000	10,507	3,507
Total Culture and Recreation	118,986	118,986	115,035	(3,951)
Total Charges for Services	2,100,384	2,100,384	1,876,644	(223,740)

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
REVENUES (CONTINUED)				
Fines and Forfeitures				
Moving Traffic Fines	115,240	115,240	95,860	(19,380)
Fines - Defensive Driving School	31,375	31,375	36,385	5,010
Court Fines	53,500	53,500	45,767	(7,733)
Credit Card Processing Fees	891	891	625	(266)
Sex Offender	1,200	1,200	450	(750)
Financial Responsibility	14,250	14,250	10,595	(3,655)
Seized Driver's License	240	240	-	(240)
Library Fines	18,000	18,000	18,006	6
Total Fines and Forfeitures	234,696	234,696	207,688	(27,008)
Miscellaneous Revenue				
Rents and Royalties				
TV Cable Franchise	237,400	237,400	163,162	(74,238)
Natural Gas Franchise	147,000	147,000	116,065	(30,935)
City Property	12	12	10	(2)
Tennessee Vocational Training Center	78,960	78,960	78,960	-
Total Rents and Royalties	463,372	463,372	358,197	(105,175)
Other				
Miscellaneous	68,465	68,465	111,569	43,104
Donations	4,715	116,415	118,179	1,764
Total Other	73,180	184,880	229,748	44,868
Total Miscellaneous Revenue	536,552	648,252	587,945	(60,307)
Interest Earnings				
Investments	5,896	5,896	18,256	12,360
Total Interest Earnings	5,896	5,896	18,256	12,360
TOTAL REVENUES	15,613,660	15,725,360	15,610,896	(114,464)

(Continued)



**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES				
General Government				
City Council				
Salaries and Benefits	14,715	14,715	14,648	67
Supplies	6,030	5,180	5,149	31
Professional Services	150	100	10	90
Travel, Training and Vehicle Expense	2,300	8,607	6,560	2,047
Utilities	300	225	202	23
Dues and Subscriptions	1,100	100	-	100
Other	5,000	5,947	3,642	2,305
General Liability	27,110	26,152	26,152	-
Total City Council	56,705	61,026	56,363	4,663
City Judge				
Salaries and Benefits	16,996	16,951	16,951	-
Supplies	-	27	27	-
Professional Services	7,000	7,239	7,239	-
General Liability	129	78	78	-
Total City Judge	24,125	24,295	24,295	0
City Manager				
Salaries and Benefits	118,903	119,404	118,946	458
Supplies	2,500	1,499	1,097	402
Repairs and Maintenance	50	50	-	50
Professional Services	50	50	12	38
Travel, Training and Vehicle Expense	6,290	4,290	2,980	1,310
Utilities	1,000	1,000	662	338
Dues and Subscriptions	6,700	5,700	5,300	400
Other	100	100	-	100
General Liability	1,375	1,375	1,229	146
Total City Manager	136,968	133,468	130,226	3,242

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Financial				
Salaries and Benefits	284,753	287,573	284,254	3,319
Supplies	22,660	22,762	19,223	3,539
Repairs and Maintenance	1,587	1,587	1,020	567
Professional Services	84,875	77,323	83,449	(6,126)
Travel, Training and Vehicle Expense	4,540	4,540	2,278	2,262
Utilities	3,300	3,300	2,032	1,268
Dues and Subscriptions	650	1,150	512	638
Other	9,175	8,699	5,518	3,181
General Liability	5,940	4,605	2,721	1,884
Total Financial	417,480	411,539	401,007	10,532
Fleet Maintenance				
Salaries and Benefits	184,440	184,440	182,500	1,940
Supplies	8,392	8,392	6,441	1,951
Repairs and Maintenance	18,650	18,650	7,008	11,642
Professional Services	12,250	12,250	8,942	3,308
Travel, Training and Vehicle Expense	40,550	40,550	16,299	24,251
Utilities	34,900	34,900	28,024	6,876
Other - Cost of Goods Sold	461,550	461,550	259,420	202,130
General Liability	3,625	3,625	927	2,698
Total Fleet Maintenance	764,357	764,357	509,561	254,796
Management Information Systems				
Supplies	1,000	1,083	1,083	-
Repairs and Maintenance	9,500	2,401	1,825	576
Professional Services	34,890	41,030	41,029	1
Travel, Training and Vehicle Expense	4,300	8,904	7,928	976
Utilities	7,685	2,532	2,532	-
General Liability	3,910	3,910	3,706	204
Total Management Information Systems	61,285	59,860	58,103	1,757

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Purchasing				
Salaries and Benefits	41,399	41,485	40,067	1,418
Supplies	3,180	3,476	2,364	1,112
Repairs and Maintenance	600	600	412	188
Professional Services	440	440	207	233
Travel, Training and Vehicle Expense	2,800	2,504	1,548	956
Utilities	1,350	1,419	836	583
Dues and Subscriptions	460	305	296	9
Other	200	200	164	36
General Liability	995	995	328	667
Total Purchasing	51,424	51,424	46,222	5,202
City Attorney				
Salaries and Benefits	23,199	23,199	21,643	1,556
Supplies	-	13	17	(4)
Professional Services	32,000	81,436	74,459	6,977
Travel, Training and Vehicle Expense	1,700	1,879	1,331	548
Utilities	265	265	202	63
Dues and Subscriptions	1,300	1,672	1,647	25
Other	25,000	25,000	22,761	2,239
General Liability	450	450	360	90
Total City Attorney	83,914	133,914	122,420	11,494
Personnel				
Salaries and Benefits	304,650	189,150	173,081	16,069
Supplies	3,862	3,846	3,194	652
Repairs and Maintenance	65	65	-	65
Professional Services	800	816	801	15
Travel, Training and Vehicle Expense	965	965	125	840
Utilities	1,200	1,200	702	498
Dues and Subscriptions	1,525	1,525	1,258	267
Other	4,571	4,571	3,777	794
General Liability	425	425	280	145
Total Personnel	318,063	202,563	183,218	19,345

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Electric				
Salaries and Benefits	582,861	586,805	579,661	7,144
Supplies	7,304	12,362	10,605	1,757
Repairs and Maintenance	-	1,766	1,458	308
Professional Services	55,567	38,331	28,959	9,372
Travel, Training and Vehicle Expense	1,932	2,932	2,497	435
Utilities	3,415	3,622	2,798	824
Dues and Subscriptions	500	860	155	705
Other	126	726	505	221
General Liability	-	4,300	3,180	1,120
Total Electric	651,705	651,704	629,818	21,886
Capital Outlay	60,000	60,000	58,230	1,770
Total General Government	2,626,026	2,554,150	2,219,463	334,687
Public Safety				
Police Patrol				
Salaries and Benefits	2,845,401	2,848,665	2,820,015	28,650
Supplies	85,415	78,528	69,157	9,371
Repairs and Maintenance	48,971	56,588	44,399	12,189
Professional Services	228,647	236,895	215,383	21,512
Travel, Training and Vehicle Expense	210,080	208,033	132,579	75,454
Utilities	37,165	26,036	20,648	5,388
Dues and Subscriptions	2,750	2,750	775	1,975
Other	7,255	7,400	2,786	4,614
General Liability	41,893	42,682	40,446	2,236
Total Police Patrol	3,507,577	3,507,577	3,346,188	161,389
Fire Prevention				
Salaries and Benefits	1,829,303	1,834,123	1,832,816	1,307
Supplies	35,100	37,532	37,515	17
Repairs and Maintenance	28,300	28,733	28,305	428
Professional Services	18,350	14,180	12,133	2,047
Travel, Training and Vehicle Expense	39,580	35,298	32,137	3,161
Utilities	33,082	34,184	34,184	-
Dues and Subscriptions	610	933	933	-
Other	8,300	8,644	3,640	5,004
General Liability	19,201	18,193	18,193	-
Total Fire Prevention	2,011,826	2,011,820	1,999,856	11,964
Capital Outlay	485,902	511,744	190,262	321,482
Total Public Safety	6,005,305	6,031,141	5,536,306	494,835

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Public Works				
Street Maintenance				
Salaries and Benefits	669,457	666,797	604,475	62,322
Supplies	171,705	201,873	184,808	17,065
Repairs and Maintenance	117,155	113,850	110,442	3,408
Professional Services	80,565	71,485	69,023	2,462
Travel, Training and Vehicle Expense	135,560	136,143	100,233	35,910
Utilities	3,550	3,650	2,497	1,153
Dues and Subscriptions	475	999	514	485
Other	685	685	219	466
General Liability	10,750	10,750	7,979	2,771
Total Street Maintenance	1,189,902	1,206,232	1,080,190	126,042
Parks and Special Events				
Utilities	4,950	4,950	3,956	994
Stormwater				
Salaries and Benefits	58,896	61,387	61,387	-
Supplies	800	800	-	800
Professional Services	28,000	28,000	15,055	12,945
Travel, Training and Vehicle Expense	4,000	3,266	1,024	2,242
Dues and Subscriptions	910	1,644	1,394	250
Other	3,460	3,460	3,460	-
Total Stormwater	96,066	98,557	82,320	16,237

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Public Works (Continued)				
Engineering				
Salaries and Benefits	167,200	169,896	163,397	6,499
Supplies	26,237	26,406	22,209	4,197
Repairs and Maintenance	104,650	62,210	58,029	4,181
Professional Services	45,725	40,800	27,841	12,959
Travel, Training and Vehicle Expense	7,950	7,950	4,846	3,104
Utilities	9,025	9,025	6,178	2,847
Dues and Subscriptions	3,300	3,300	958	2,342
General Liability	5,026	5,026	1,382	3,644
Total Engineering	369,113	324,613	284,840	39,773
State Street Aid				
Repairs and Maintenance	350,000	350,000	349,679	321
Utilities	498,000	461,000	412,609	48,391
Total State Street Aid	848,000	811,000	762,288	48,712
Capital Outlay	308,810	375,500	330,352	45,148
Total Public Works	2,816,841	2,820,852	2,543,946	276,906

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Health and Welfare				
Animal Shelter Operations				
Salaries and Benefits	69,551	69,552	68,090	1,462
Supplies	175	175	169	6
Professional Services	49,190	49,190	32,655	16,535
Utilities	360	360	74	286
General Liability	509	509	200	309
Total Animal Shelter Operations	119,785	119,786	101,188	18,598
Contributions to Non-Profit Organizations	72,103	72,104	72,104	-
Total Health and Welfare	191,888	191,890	173,292	18,598
Building Code Enforcement				
Enforcement				
Salaries and Benefits	265,286	242,379	241,240	1,139
Supplies	6,905	6,811	4,639	2,172
Repairs and Maintenance	28,351	25,151	22,007	3,144
Professional Services	28,982	21,084	9,321	11,763
Travel, Training and Vehicle Expense	9,025	9,025	3,981	5,044
Utilities	36,833	35,450	25,302	10,148
Dues and Subscriptions	1,794	2,528	2,131	397
Other	50	50	-	50
General Liability	4,116	4,117	3,235	882
Total Enforcement	381,342	346,595	311,856	34,739
Capital Outlay	16,263	28,010	28,010	-
Total Building Code Enforcement	397,605	374,605	339,866	34,739
Community Development				
Development				
Salaries and Benefits	121,959	113,764	95,376	18,388
Supplies	2,775	2,785	1,933	852
Repairs and Maintenance	200	200	-	200
Professional Services	16,420	23,040	17,338	5,702
Travel, Training and Vehicle Expense	3,020	4,520	4,191	329
Utilities	1,600	1,600	844	756
Dues and Subscriptions	700	765	415	350
Other	150	150	53	97
General Liability	710	710	458	252
Total Development	147,534	147,534	120,608	26,926
Capital Outlay	-	111,700	111,700	-
Total Community Development	147,534	259,234	232,308	26,926

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary and GAAP Basis	
EXPENDITURES (CONTINUED)				
Culture and Recreation				
Administration				
Salaries and Benefits	111,780	112,566	112,566	-
Supplies	2,605	3,046	3,046	-
Professional Services	525	673	673	-
Travel, Training and Vehicle Expense	4,850	3,949	3,949	-
Utilities	1,600	1,926	1,926	-
Dues and Subscriptions	650	650	650	-
Other	175	236	236	-
General Liability	2,171	1,623	1,623	-
Total Administration	124,356	124,669	124,669	0
Swimming Pools				
Salaries and Benefits	37,479	37,166	32,424	4,742
Supplies	7,400	7,400	5,635	1,765
Repairs and Maintenance	10,500	9,869	9,011	858
Professional Services	1,200	1,200	975	225
Utilities	15,541	15,882	9,660	6,222
Other	1,000	1,290	390	900
General Liability	1,885	1,885	1,758	127
Total Swimming Pools	75,005	74,692	59,853	14,839
Athletic Fields and Parks				
Salaries and Benefits	250,943	249,648	243,711	5,937
Supplies	46,200	47,495	41,714	5,781
Repairs and Maintenance	119,500	109,433	89,560	19,873
Professional Services	32,325	32,626	29,474	3,152
Travel, Training and Vehicle Expense	16,546	16,546	12,763	3,783
Utilities	78,129	67,638	62,263	5,375
Dues and Subscriptions	110	155	155	-
Other	-	10,146	10,146	-
General Liability	9,482	9,482	6,929	2,553
Total Athletic Fields and Parks	553,235	543,169	496,715	46,454

(Continued)



**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary and GAAP Basis	
EXPENDITURES (CONTINUED)				
Culture and Recreation (Continued)				
Recreation Center				
Salaries and Benefits	60,803	61,269	60,500	769
Supplies	13,030	15,161	14,535	626
Repairs and Maintenance	13,000	14,030	7,897	6,133
Professional Services	16,000	16,000	16,000	-
Travel, Training and Vehicle Expense	1,000	1,000	128	872
Utilities	51,474	47,616	41,413	6,203
General Liability	4,936	5,262	5,262	-
Total Recreation Center	160,243	160,338	145,735	14,603
Leagues				
Salaries and Benefits	38,805	38,728	29,972	8,756
Supplies	32,255	36,275	32,928	3,347
Professional Services	19,400	19,400	15,179	4,221
Travel, Training and Vehicle Expense	1,800	1,800	1,752	48
Utilities	130	130	116	14
Dues and Subscriptions	16,500	15,458	15,300	158
Other	4,850	1,854	1,804	50
General Liability	1,809	1,809	1,358	451
Total Leagues	115,549	115,454	98,409	17,045
Public Library				
Salaries and Benefits	341,262	336,636	303,012	33,624
Supplies	21,450	21,598	17,603	3,995
Repairs and Maintenance	19,700	23,326	22,725	601
Professional Services	11,350	11,350	9,090	2,260
Travel, Training and Vehicle Expense	600	811	565	246
Utilities	34,200	32,100	28,349	3,751
Dues and Subscriptions	650	650	520	130
Other	9,800	12,689	3,080	9,609
General Liability	6,700	6,700	4,586	2,114
Total Public Library	445,712	445,860	389,530	56,330
Capital Outlay	62,500	135,419	119,973	15,446
Total Culture and Recreation	1,536,600	1,599,601	1,434,884	164,717

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Golf Course	70,000	140,000	140,000	-
Education	2,381,341	2,543,221	2,543,220	1
Airport	145,000	145,000	145,000	-
Special Appropriations to Other Governmental Entities	146,672	246,672	246,672	-
Contributions to OPEB Trust	-	1,785,783	1,785,783	-
Debt Service				
Principal	1,073,525	1,073,526	1,009,454	64,072
Interest	392,161	392,161	384,160	8,001
Paying Agent Fees	1,000	5,498	5,498	-
Total Debt Service	1,466,686	1,471,185	1,399,112	72,073
TOTAL EXPENDITURES	17,931,498	20,163,334	18,739,852	1,423,482
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,317,838)	(4,437,974)	(3,128,956)	1,309,018
OTHER FINANCING SOURCES (USES)				
Capital Outlay Note Issued	200,000	200,000	177,500	(22,500)
Transfers				
Elizabethton Electric - In-Lieu of Taxes	1,487,838	1,487,838	1,474,906	(12,932)
Parks and Recreation - Capital Project	(14,000)	(14,000)	(14,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,673,838	1,673,838	1,638,406	(35,432)
Net Change in Fund Balance	(644,000)	(2,764,136)	(1,490,550)	1,273,586
Fund Balance, July 1, 2015	8,855,506	8,855,506	8,855,506	-
Fund Balance, June 30, 2016	<u>\$ 8,211,506</u>	<u>6,091,370</u>	<u>7,364,956</u>	<u>1,273,586</u>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets				
Cash and Cash on Hand	\$ 2,699,439	11,225,566	833,576	14,758,581
Investments	826,863	6,134,213	-	6,961,076
Accounts Receivable (Net of Allowances for Uncollectibles)	441,965	5,733,291	52,242	6,227,498
Inventories	475,324	838,576	-	1,313,900
Due from Other Governments	2,705	-	23,662	26,367
Total Current Assets	4,446,296	23,931,646	909,480	29,287,422
Capital Assets				
Land	596,025	602,694	315,250	1,513,969
Water Right	4,104,167	-	-	4,104,167
Construction In Progress	458,691	85,674	-	544,365
Buildings and Improvements	24,336,029	2,369,741	-	26,705,770
Motor Equipment	6,337,189	5,095,294	1,283,400	12,715,883
Office Equipment	331,842	1,941,643	44,701	2,318,186
Infrastructure	23,541,755	90,853,529	-	114,395,284
Less: Accumulated Depreciation	(30,898,813)	(26,892,554)	(532,604)	(58,323,971)
Total Capital Assets	28,806,885	74,056,021	1,110,747	103,973,653
Other Noncurrent Assets				
Restricted Cash - Customer Deposits	576,780	2,535,011	-	3,111,791
Net OPEB Asset	104,836	640,866	45,123	790,825
Other Assets	-	1,345,369	-	1,345,369
Total Other Noncurrent Assets	681,616	4,521,246	45,123	5,247,985
<b>TOTAL ASSETS</b>	<b>33,934,797</b>	<b>102,508,913</b>	<b>2,065,350</b>	<b>138,509,060</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Bond Refunding Costs	38,844	574,060	-	612,904
Deferred Outflows Related to Pensions	282,849	1,968,983	36,146	2,287,978
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>321,693</b>	<b>2,543,043</b>	<b>36,146</b>	<b>2,900,882</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	152,225	6,342,016	37,964	6,532,205
Customer Deposits	576,780	2,535,011	-	3,111,791
Other Current Liabilities	40,750	286,937	-	327,687
Accrued Payroll	4,354	-	-	4,354
Accrued Interest	1,452,793	506,658	499	1,959,950
Due to Other Funds	13,950	83,659	12,116	109,725
Bonds Payable	765,755	1,205,000	-	1,970,755
Notes Payable	80,688	-	77,603	158,291
State Loans Payable	176,952	-	-	176,952
Compensated Absences	70,502	121,461	5,524	197,487
Total Current Liabilities	3,334,749	11,080,742	133,706	14,549,197

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	
<b>LIABILITIES (CONTINUED)</b>				
Noncurrent Liabilities				
Bonds Payable	8,676,834	32,105,000	-	40,781,834
Bond Premium	24,113	421,594	-	445,707
Notes Payable	325,231	-	43,416	368,647
State Loans Payable	3,707,909	-	-	3,707,909
Advance from TVA	-	1,325,997	-	1,325,997
Compensated Absences	63,140	209,583	5,596	278,319
Net Pension Liability	887,233	7,611,100	113,381	8,611,714
Total Noncurrent Liabilities	13,684,460	41,673,274	162,393	55,520,127
<b>TOTAL LIABILITIES</b>	<b>17,019,209</b>	<b>52,754,016</b>	<b>296,099</b>	<b>70,069,324</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	119,550	36,456	15,298	171,304
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>119,550</b>	<b>36,456</b>	<b>15,298</b>	<b>171,304</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	15,088,247	41,032,307	989,728	57,110,282
Restricted for Other Purposes	104,836	640,866	45,123	790,825
Unrestricted	1,924,648	10,588,311	755,248	13,268,207
<b>TOTAL NET POSITION</b>	<b>\$ 17,117,731</b>	<b>52,261,484</b>	<b>1,790,099</b>	<b>71,169,314</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for Services	\$ 8,837,048	52,956,419	1,193,224	62,986,691
OPERATING EXPENSES				
Wages and Employee Benefits	2,237,834	-	256,666	2,494,500
Purchases of Power, Water and Other	-	39,430,246	-	39,430,246
Other Operating Expenses	1,425,948	3,325,591	64,640	4,816,179
Maintenance	118,250	2,232,281	113,041	2,463,572
Tax Equivalent	-	599,925	-	599,925
Treatment, Transmissions and Utilities	847,546	-	-	847,546
Landfill	-	-	338,631	338,631
Administrative	658,677	-	694	659,371
Contributions to OPEB Trust	584,255	1,127,372	120,267	1,831,894
Amortization	247,848	-	-	247,848
Depreciation	1,373,326	3,073,480	82,727	4,529,533
TOTAL OPERATING EXPENSES	7,493,684	49,788,895	976,666	58,259,245
OPERATING INCOME (LOSS)	1,343,364	3,167,524	216,558	4,727,446
NONOPERATING REVENUES (EXPENSES)				
Interest Income	4,812	31,675	64	36,551
Interest Expense and Fiscal Charges	(643,820)	(1,124,701)	(2,986)	(1,771,507)
Other Expense	-	(21,005)	-	(21,005)
TOTAL NONOPERATING REVENUES (EXPENSES)	(639,008)	(1,114,031)	(2,922)	(1,755,961)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	704,356	2,053,493	213,636	2,971,485
TRANSFER TO GENERAL FUND	-	(1,474,906)	-	(1,474,906)
CONTRIBUTIONS - CAPITAL GRANT REVENUE	32,805	-	23,662	56,467
Change in Net Position	737,161	578,587	237,298	1,553,046
NET POSITION, JULY 1, 2015	16,380,570	51,682,897	1,552,801	69,616,268
NET POSITION, JUNE 30, 2016	\$ 17,117,731	52,261,484	1,790,099	71,169,314

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 Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received From Customers	\$ 8,857,225	50,966,020	1,191,313	61,014,558
Cash Received from City of Elizabethton for Services	-	1,025,204	-	1,025,204
Cash Received from Rentals and Other Sales	-	1,604,216	-	1,604,216
Cash Payments for Tax Equivalent	-	(431,711)	-	(431,711)
Cash Payments for Employee Services and Benefits	(3,473,917)	(2,714,456)	(502,368)	(6,690,741)
Cash Payments to Suppliers for Goods and Services	(3,122,346)	(45,156,328)	(506,966)	(48,785,640)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>2,260,962</b>	<b>5,292,945</b>	<b>181,979</b>	<b>7,735,886</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(378,338)	(2,308,959)	(28,749)	(2,716,046)
Payments on State Loan Funds	(177,429)	-	-	(177,429)
Principal Paid on Bonds Payable	(785,045)	(1,175,000)	-	(1,960,045)
Principal Paid on Notes Payable	(79,056)	-	(76,281)	(155,337)
Interest Paid on Bonds and Notes Payable	(707,046)	(1,137,562)	(3,316)	(1,847,924)
Capital Grants	273,399	-	-	273,399
State Loan Proceeds	53,794	-	-	53,794
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,799,721)</b>	<b>(4,621,521)</b>	<b>(108,346)</b>	<b>(6,529,588)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Change in Due To/Due From	3,149	-	(86)	3,063
Transfers to Other Funds	-	(1,474,906)	-	(1,474,906)
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>3,149</b>	<b>(1,474,906)</b>	<b>(86)</b>	<b>(1,471,843)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of Investments	752,147	-	120,204	872,351
Purchase of Investments	-	(764,415)	-	(764,415)
Interest on Investments	4,812	31,675	64	36,551
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>756,959</b>	<b>(732,740)</b>	<b>120,268</b>	<b>144,487</b>
Net Increase (Decrease) in Cash and Cash on Hand	1,221,349	(1,536,222)	193,815	(121,058)
<b>CASH AND CASH ON HAND AT BEGINNING OF YEAR</b>	<b>2,054,870</b>	<b>15,296,799</b>	<b>639,761</b>	<b>17,991,430</b>
<b>CASH AND CASH ON HAND AT END OF YEAR</b>	<b>\$ 3,276,219</b>	<b>13,760,577</b>	<b>833,576</b>	<b>17,870,372</b>

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
OPERATING INCOME	\$ 1,343,364	3,167,524	216,558	4,727,446
Adjustments				
Depreciation and Amortization	1,621,174	3,185,272	82,727	4,889,173
Change in Net Pension Liability	51,398	920,649	6,564	978,611
Change in Deferred Outflows Related to Pensions	(11,121)	(1,086,076)	(1,420)	(1,098,617)
Change in Deferred Inflows Related to Pensions	(203,095)	(201,218)	(25,935)	(430,248)
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivables	20,177	605,907	(1,911)	624,173
(Increase) Decrease in Due from Other Funds	-	10,139	-	10,139
(Increase) Decrease in Inventories	38,894	51,738	-	90,632
(Increase) Decrease in OPEB Asset	(500,333)	(1,048,413)	(105,626)	(1,654,372)
Increase (Decrease) in Accounts Payable	(22,476)	(384,243)	10,040	(396,679)
Increase (Decrease) in Retainages Payable	(86,597)	-	-	(86,597)
Increase (Decrease) in Customer Deposits	12,378	19,495	-	31,873
Increase (Decrease) in Other Current Liabilities	(14,124)	55,982	-	41,858
Increase (Decrease) in Accrued Payroll	(2)	-	-	(2)
Increase (Decrease) in Compensated Absences	11,325	(3,811)	982	8,496
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,260,962</u>	<u>5,292,945</u>	<u>181,979</u>	<u>7,735,886</u>
RECONCILIATION OF CASH AND CASH ON HAND TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and Cash on Hand	\$ 2,699,439	11,225,566	833,576	14,758,581
Restricted Cash - Customer Deposits	<u>576,780</u>	<u>2,535,011</u>	<u>-</u>	<u>3,111,791</u>
TOTAL CASH AND CASH ON HAND	<u>\$ 3,276,219</u>	<u>13,760,577</u>	<u>833,576</u>	<u>17,870,372</u>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2016**

	Other Post-Employment Benefit (OPEB) Trust Fund
ASSETS	
Investments	\$ 3,678,541
TOTAL ASSETS	<u>3,678,541</u>
LIABILITIES	
Accounts Payable	<u>2,542</u>
TOTAL LIABILITIES	<u>2,542</u>
NET POSITION	
Restricted for Other Employment Benefits (OPEB)	<u>3,675,999</u>
TOTAL NET POSITION	<u><u>\$ 3,675,999</u></u>

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2016**

	Other Post-Employment Benefit (OPEB) Trust Fund
ADDITIONS	
Contributions	<u>\$ 3,617,777</u>
Investment Earnings	
Net Appreciation in Fair Value of Investments	53,966
Interest and Dividends	<u>43,257</u>
Total Investment Earnings	97,223
Less Investment Expense	<u>16,726</u>
Net Investment Earnings	<u>80,497</u>
Total Additions	<u>3,698,274</u>
DEDUCTIONS	
Other Expenses	<u>22,275</u>
Total Deductions	<u>22,275</u>
Change in Net Position	3,675,999
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ 3,675,999</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, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Elizabethton, Tennessee (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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**

The 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. Each discretely presented component unit is reported in separate columns in the government-wide financial statements to emphasize it is legally separate from the government. The Elizabethton Municipal Airport, 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 by GASB. 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.

**Discretely Presented Component Units** – As discussed earlier, the City has three discretely presented component units. While neither the Elizabethton Municipal Airport nor the Elizabethton Municipal Golf Course are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements. They are reported in separate columns to emphasize that they are legally separate from the City. All of the discretely presented component units serve the geographic area of Elizabethton and their corporate charter grants them legally separate corporate powers.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Individual Component Unit Disclosures (Continued)**

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

Elizabethton Municipal Airport  
415 Highway 91  
Elizabethton, Tennessee 37643

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

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

*Elizabethton Municipal Airport*

The Elizabethton Municipal Airport Authority was created in accordance with *Tennessee Code Annotated (TCA)* Sec. 42-3-101 through 42-3-103 and Sec. 42-5-101 through 42-5-205. 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.

*Elizabethton Municipal Golf Course*

The City owns all assets associated with the Elizabethton Municipal Golf Course (the 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 do 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 Carter County Tomorrow.

*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 Elizabethton Housing 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Related Organizations (Continued)**

*Watauga River Regional Water Authority*

The City is a participant in the Watauga River Regional Water Authority with other area utility districts. The Authority was created by Chapter 29, Private Acts of 2001, to plan, operate, and maintain a water and wastewater system in Carter County and the City. The authority is governed by a five-member board.

**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 landfill was closed in 2000. The County has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. The postclosure care liability is reported by Carter County. The County bills the City for one-half of the postclosure expenditures per the written agreement. There are no separately issued financial statements for the landfill.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position 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 is 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, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

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.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter is 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 inflows of resources. 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 60 days of the end of the current 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 period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Certain revenues are required to be recognized in the General Fund as a receivable at June 30 and either as revenue or deferred inflows of resources, depending upon revenue recognition policies of the City. 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 and 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 estimable and are not generally material to the financial statements. Therefore, they are not recognized as revenue until received.

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 *Elizabethton 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.

The *Elizabethton Sanitation fund* accounts for the activities of the City's residential garbage refuse collection activities.

Additionally, the City reports the following fund type:

Other post-employment benefit trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of other post-employment benefit plans. The *Other Post-Employment Benefits Trust Fund* accumulates funds for the payment of post-employment health insurance benefits for qualified employees as determined under the City's policies based on age and years of service at the time of retirement.

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

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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 funds are available for use, it is the City's policy to use restricted resources first, then unrestricted resources unless legal requirements disallow it. The proprietary funds and other postemployment benefit trust fund are reported using the economic resources measurement focus and the accrual basis of accounting.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash is considered to be cash on hand and demand deposits. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. The Local Government Investment Pool (the 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.

**2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the 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, 2016. Estimated uncollectible taxes were based on the prior year's collection experience.



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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**2. Receivables and Payables (Continued)**

Property taxes are levied as of August 1 on property values assessed as of January 1. 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 inflows of resources. The year ending June 30, 2016 and 2015 calendar year property tax rate was \$1.80 and \$1.82 per \$100 of assessed value.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected and reported as revenue during the current year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of year end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

**3. Inventories and Prepaid Items**

Inventories in the General, Water and Sewer, and Electric Department 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.

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 governmental and proprietary funds. Balances include postage, insurance, finance charges, and travel advances.

**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.

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**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 asset 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.

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 Tennessee Valley Authority (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. \$111,792 of depreciation was charged to operating expense per T.V.A. guidelines.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**5. Capital Assets (Continued)**

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

**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 proprietary funds financial statements.

The proprietary funds financial statements reflect \$475,806 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 \$406,772 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental activities.

**Policy of the Elizabethton Electric Department**

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 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 and capped at the balance. 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, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**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 position. Bond premiums and discounts 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**8. Net Position and Fund Balance**

In the government-wide financial statements and the proprietary funds in the fund financial statements, equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation. In addition to the items reported as restricted on the fund level, the governmental activities reported an additional \$172,307 as restricted in relation to the Net OPEB Asset.
- Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2016, the City had \$8,880,000 in outstanding debt for capital purposes for the discretely presented Elizabethton Board of Education. The debt is a liability of the City, but the capital assets acquired are reported in the financial statements of the School Board. Therefore, the City has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the City's capital assets.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**8. Net Position and Fund Balance (Continued)**

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using an ordinance, its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. Formal action via Ordinance is required to establish, modify or rescind a fund balance commitment.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When committed, assigned and unassigned funds are available for expenditures, committed funds should be spent first, assigned funds second, and unassigned funds last.

City Council established that an amount equal to at least 15% of the City's most recent approved operating budget shall be established as a minimum Unassigned Fund Balance. Then annually, following the completion of the City's audit, the City Manager shall review the Unassigned Fund Balance and propose to utilize, through the annual budget process, surplus funds above the 15% minimum, if any. Proposed use of Unassigned Fund Balance funds should be dedicated to projects in the Capital Improvement Program or other unanticipated one-time expenses. The Council may vote to establish certain committed accounts from the Unassigned Fund Balance for the purpose of funding specific capital improvement needs in the future. The Council may also, by a two-thirds vote, decide to expend or to reserve amounts greater than that listed above based on the immediate or long-term needs of the City. The Council has the authority to establish a financial stabilization account that will be a committed fund balance. A financial stabilization account is established for the purpose of providing funds for an urgent event that affects the safety of the general public. The recognition of an urgent event must be established by the Council or the City Manager, who must report the specific urgent event to the Council at its next meeting. A budget amendment to spend financial stabilization funds must be approved by the City's governing body.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**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.

**10. Pensions**

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

**11. Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide and proprietary funds Statement of Net Position. One of these items is for deferred bond refunding costs which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is for pension changes in experience and other deferrals, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance  
(Continued)**

**11. Deferred Outflows / Inflows of Resources (Continued)**

The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide and proprietary funds Statement of Net Position, and the governmental funds and the proprietary funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, pension changes in investment earnings, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

**12. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No.72, *Fair Value Measurement and Application*, is effective for the year ended June 30, 2016. Additionally, the City early adopted the provisions of GASB Statement No. 82, *Pension Issues*, - an amendment of GASB Statements No. 67, No. 68, and No.73.

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

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balances-governmental funds* and *net position-governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "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, capital leases and compensated absences." The details of this \$(11,212,155) difference are as follows:

Bonds Payable	\$ (9,945,000)
Deferred Amount on Issuance Premium	(38,462)
Notes Payable	(821,921)
Compensated Absences	<u>(406,772)</u>
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (11,212,155)</u>

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

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

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (Continued)**

Another element of that reconciliation explains that “long-term pension retirement plans are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension asset/(liability), net of deferred inflows and deferred outflows.” The details of this \$(1,894,834) difference are as follows:

Net Pension Liability	\$ (2,312,053)
Deferred Outflows of Resources Related to Pensions	736,039
Deferred Inflows of Resources Related to Pensions	<u>(318,820)</u>
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (1,894,834)</u>

**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 change in fund balances-total governmental funds* and *change in net position 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 leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position”. The details of this \$1,009,455 difference are as follows:

Principal Repayments:	
General Obligation Debt	\$ 755,000
Notes Payable	<u>254,455</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 1,009,455</u>



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

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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 (Continued)**

Another element of that reconciliation states that “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.” The details of this \$(27,206) difference are as follows:

Compensated Absences for the Prior Year	\$ 379,566
Compensated Absences for the Current Year	<u>(406,772)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (27,206)</u>

**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 Statement of Budget to Actual is 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.

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

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

Cash includes cash on hand and demand deposits in local banks.

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 (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

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.

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

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

The City categorized the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

**Disclosures Relating to Credit, Interest Rate, Concentration and Custodial Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is the measure with the assignment of a rating by a nationally recognized statistical rating organization. The City will minimize credit risk by limiting the portfolio to the types of investments pursuant to TCA §6-56-106, pre-qualifying the financial institutions with which the City will do business in accordance with Section 4, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City will minimize interest rate risk by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate investments at a loss prior to maturity and by investing operating funds primarily in shorter-term investments, CDs or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk is the risk of loss due to having a significant portion of resources invested in a single issuer. The City will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments issued or explicitly guaranteed by the U.S. government or the State of Tennessee Collateral Pool, Tennessee Local Government Investment Pool (LGIP) and any other external investment pools that are authorized by the State are excluded from this requirement.

Custodial credit risk is the risk that in the event of the failure of a depository financial institution the deposits or collateralized investments that are in the possession of an outside party would not be recovered. The City will minimize custodial credit risk for deposits and investments through collateralization and safekeeping of assets.

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

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

**Deposits**

The City's carrying amount of deposits was \$19,997,868 and the bank balance was \$20,932,992.

The bank balances are collateralized or insured as follows:

Amount insured by FDIC or collateralized with State of Tennessee Bank Collateral Pool	<u>\$ 20,932,992</u>
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A reconciliation of deposits to the amounts reflected on the Statement of Net Position is as follows:

	<u>Primary Government</u>
Amounts per Statement of Net Position:	
Cash and Cash on Hand	\$ 16,886,077
Restricted Assets - Cash	<u>3,111,791</u>
Total per Statement of Net Position	<u><u>\$ 19,997,868</u></u>

**Investments**

The City, including the Electric Department, invests funds in the State of Tennessee's Local Government Investment Pool and with an investment advisor. The City's interest in the Investment Pool is recorded at amortized cost which approximates fair market value and at June 30, 2016, funds were \$7,985,284. The weighted average maturity (days) range from 4 to 117 for LGIP investments. The total investment with the investment firm is recorded at fair value and is \$4,011,876 at June 30, 2016.

	Carrying Amount	Fair Market Value or Amortized Cost
Local Government Investment Pool - at amortized cost	\$ 7,985,284	7,985,284
Bond Fund Investments - at fair market value		
Fixed Certificates of Deposit	2,000,120	2,000,120
Treasury Securities	<u>2,011,756</u>	<u>2,011,756</u>
Total Investments	<u><u>\$ 11,997,160</u></u>	<u><u>11,997,160</u></u>

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

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

**Investments (Continued)**

The Electric Department's investments other than LGIP and fixed certificates of deposit had the following credit risk structure as of June 30, 2016:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Treasury Securities	AAA	<u>\$ 2,011,756</u>	100%

The City and Electric Department's investment maturities by type are as follows:

<u>Investment Type</u>	<u>Fair Value or Cost</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Local Government Investment Pool	\$ 7,985,284	7,985,284	-	-	-
Fixed Certificates of Deposit	2,000,120	750,000	1,250,120	-	-
Treasury Securities	<u>2,011,756</u>	<u>811,756</u>	<u>800,000</u>	<u>400,000</u>	<u>-</u>
Total Bond Fund Investments	<u>\$ 11,997,160</u>	<u>9,547,040</u>	<u>2,050,120</u>	<u>400,000</u>	<u>0</u>

LGIP investments have weighted average maturity of 4 to 117 days.

Investments at fair value are as follows:

	<u>June 30, 2016</u>	<u>Fair Value Measurement Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investment Type				
Fixed Certificates of Deposit	\$ 2,000,120	-	2,000,120	-
Treasury Securities	<u>2,011,756</u>	<u>2,011,756</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value	<u>\$ 4,011,876</u>	<u>2,011,756</u>	<u>2,000,120</u>	<u>0</u>

A reconciliation of investments to the amounts reflected on the Statement of Net Position is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Investments	\$ 1,939,789	6,961,076	8,900,865
Restricted Assets - Investments	<u>3,096,295</u>	<u>-</u>	<u>3,096,295</u>
Total	<u>\$ 5,036,084</u>	<u>6,961,076</u>	<u>11,997,160</u>

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

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**NOTE 5 - RECEIVABLES**

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

	General	Water and Sewer	Electric Department	Sanitation Fund	Total
Receivables:					
Accounts	\$ 12,245	478,926	5,890,844	55,428	6,437,443
Taxes	5,239,561	-	-	-	5,239,561
Due from Other Governments	<u>1,290,864</u>	<u>2,705</u>	<u>-</u>	<u>23,662</u>	<u>1,317,231</u>
Gross Receivables	6,542,670	481,631	5,890,844	79,090	12,994,235
Less: Allowance for Uncollectibles	<u>(27,256)</u>	<u>(36,961)</u>	<u>(157,553)</u>	<u>(3,186)</u>	<u>(224,956)</u>
Total Receivables	<u>\$ 6,515,414</u>	<u>444,670</u>	<u>5,733,291</u>	<u>75,904</u>	<u>12,769,279</u>

The Electric Department has a program whereby qualifying homeowners may obtain interest-bearing loans to pay for energy conservation measures in their homes. The customer repays the loan over a period of up to ten years at a stated interest rate of 9.25%. Payments are made with the customers' regular monthly bills. Loans are secured by the related real property. The balance of the energy conservation loans as of June 30, 2016 was \$1,316,325.

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

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,943,594	-	-	1,943,594
Construction in Progress	368,911	57,060	-	425,971
Library Infrastructure	660,275	29,607	(195,955)	493,927
Total Capital Assets, Not Being Depreciated	2,972,780	86,667	(195,955)	2,863,492
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,576,818	200,119	-	7,776,937
Motor Equipment	4,597,982	340,195	(187,356)	4,750,821
Office Equipment	2,775,106	140,076	(14,594)	2,900,588
Infrastructure	11,281,276	123,621	-	11,404,897
Total Capital Assets, Being Depreciated	26,231,182	804,011	(201,950)	26,833,243
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,938,867)	(215,368)	-	(4,154,235)
Motor Equipment	(3,373,960)	(323,004)	187,356	(3,509,608)
Office Equipment	(2,017,470)	(114,491)	14,594	(2,117,367)
Infrastructure	(7,381,909)	(202,161)	-	(7,584,070)
Total Accumulated Depreciation	(16,712,206)	(855,024)	201,950	(17,365,280)
Total Capital Assets, Being Depreciated, Net	9,518,976	(51,013)	0	9,467,963
Governmental Activities, Capital Assets, Net	\$ 12,491,756	35,654	(195,955)	12,331,455

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

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Primary Government (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,513,969	-	-	1,513,969
Water Right	4,354,167	-	(250,000)	4,104,167
Construction in Progress	3,399,457	1,827,588	(4,682,680)	544,365
Total Capital Assets, Not Being Depreciated	9,267,593	1,827,588	(4,932,680)	6,162,501
Capital Assets, Being Depreciated:				
Buildings and Improvements	26,349,025	356,745	-	26,705,770
Motor Equipment	10,990,782	1,839,473	(114,372)	12,715,883
Office Equipment	1,577,203	755,549	(14,566)	2,318,186
Infrastructure	112,575,127	2,246,043	(425,886)	114,395,284
Total Capital Assets, Being Depreciated	151,492,137	5,197,810	(554,824)	156,135,123
Less Accumulated Depreciation For:				
Buildings and Improvements	(13,577,747)	(709,624)	-	(14,287,371)
Motor Equipment	(5,804,609)	(570,091)	114,372	(6,260,328)
Office Equipment	(805,681)	(73,526)	14,566	(864,641)
Infrastructure	(34,422,762)	(3,288,084)	799,215	(36,911,631)
Total Accumulated Depreciation	(54,610,799)	(4,641,325)	928,153	(58,323,971)
Total Capital Assets, Being Depreciated, Net	96,881,338	556,485	373,329	97,811,152
Business-Type Activities, Capital Assets, Net	\$ 106,148,931	2,384,073	(4,559,351)	103,973,653



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

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**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	\$ 119,978
Public Safety	283,193
Public Works - including general infrastructure assets	300,718
Health and Welfare	883
Culture and Recreation	146,286
Drug Fund	3,966
Total Depreciation Expense - Governmental Activities	<u>\$ 855,024</u>
Business-Type Activities	
Electric Department	\$ 3,185,272
Water and Sewer	1,373,326
Sanitation	82,727
Total Depreciation Expense - Business-Type Activities	<u>\$ 4,641,325</u>

A total of \$111,792 of depreciation expense for the Electric Department was charged to transportation expense.

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

**NOTE 7 - LONG-TERM DEBT**

During the year ended June 30, 2016, the following debt transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Debt	\$ 10,700,000	-	755,000	9,945,000	660,000
Premium	41,536	-	3,074	38,462	-
Total Bonds	10,741,536	0	758,074	9,983,462	660,000
Compensated Absences	379,566	227,513	200,307	406,772	200,307
Notes Payable	898,876	177,500	254,455	821,921	314,741
Governmental Activities Long-Term Liabilities	12,019,978	405,013	1,212,836	11,212,155	1,175,048
Business-Type Activities:					
Tax Refunding and Improvement Bonds	10,227,634	-	785,045	9,442,589	765,755
Revenue Bonds	34,485,000	-	1,175,000	33,310,000	1,205,000
Add: Deferred Amount on Issuance	489,453	-	43,746	445,707	-
Total Bonds	45,202,087	0	2,003,791	43,198,296	1,970,755
Notes Payable	682,275	-	155,337	526,938	158,291
State Loans Payable	4,008,496	53,794	177,429	3,884,861	176,952
Compensated Absences	467,310	192,318	183,822	475,806	197,487
Business-Type Activities Long-Term Liabilities	50,360,168	246,112	2,520,379	48,085,901	2,503,485
Total Changes in Long-Term Debt	\$ 62,380,146	651,125	3,733,215	59,298,056	3,678,533

The total interest incurred for the Electric Department at year ended June 30, 2016 was \$1,137,469. Of this amount \$12,768 was capitalized as a component of the cost of capital assets constructed during the year and \$1,124,701 was charged to expense.

Changes in the Deferred Gain on Bond Refunding for the year ended June 30, 2016 are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Elizabethton Electric Department	\$ 636,660	-	(62,600)	574,060
Elizabethton Water and Sewer Fund	44,393	-	(5,549)	38,844
	\$ 681,053	0	(68,149)	612,904

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

**NOTE 7 - 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 bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The General Obligation School Bonds Series 2008 are also secured by a pledge of the one half percent addition to the City's Local Option Sales and Use Tax.

The following is a summary of general obligation bonds currently outstanding from the General Fund:

General Fund	Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2016
General Obligation - School Bonds Series 2008	12/16/2008	\$ 6,750,000	2.25-4.40%	9/1/2023	\$ 3,430,000
General Obligation - Series 2010B	3/11/2010	505,000	3.00-3.75%	6/1/2025	350,000
General Obligation - Refunding Bond Series 2012	7/27/2012	2,145,000	0.25-1.75%	3/1/2020	715,000
General Obligation - School Refunding Bond Series 2013	9/20/2013	5,450,000	3.00-4.00%	3/1/2034	5,450,000
					<u>\$ 9,945,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 385,000	132,615	517,615
2018	400,000	117,793	517,793
2019	415,000	101,896	516,896
2020	430,000	85,100	515,100
2021	450,000	67,275	517,275
2022-2024	1,350,000	87,975	1,437,975
	<u>\$ 3,430,000</u>	<u>592,654</u>	<u>4,022,654</u>

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

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**NOTE 7 - LONG TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Bonds Payable (Continued)**

General Obligation Bonds issued 03-11-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 35,000	11,800	46,800
2018	35,000	10,750	45,750
2019	35,000	9,700	44,700
2020	35,000	8,606	43,606
2021	40,000	7,469	47,469
2022-2025	170,000	15,844	185,844
	<u>\$ 350,000</u>	<u>64,169</u>	<u>414,169</u>

General Obligation Refunding Bonds issued 07-27-12 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 240,000	9,175	249,175
2018	240,000	6,775	246,775
2019	135,000	3,775	138,775
2020	100,000	1,750	101,750
	<u>\$ 715,000</u>	<u>21,475</u>	<u>736,475</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Bonds Payable (Continued)**

General Obligation School Refunding Bonds issued 09-20-13 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	200,625	200,625
2018	-	200,625	200,625
2019	-	200,625	200,625
2020	-	200,625	200,625
2021	-	200,625	200,625
2022 - 2026	1,110,000	960,400	2,070,400
2027 - 2031	2,555,000	607,412	3,162,412
2032 - 2034	1,785,000	109,100	1,894,100
	<u>\$ 5,450,000</u>	<u>2,680,037</u>	<u>8,130,037</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 660,000	354,215	1,014,215
2018	675,000	335,943	1,010,943
2019	585,000	315,996	900,996
2020	565,000	296,081	861,081
2021	490,000	275,369	765,369
2022 - 2026	2,630,000	1,064,219	3,694,219
2027 - 2031	2,555,000	607,412	3,162,412
2032 - 2034	1,785,000	109,100	1,894,100
	<u>\$ 9,945,000</u>	<u>3,358,335</u>	<u>13,303,335</u>

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

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Notes Payable**

Capital outlay notes are issued for various capital additions and projects city-wide. The full faith and credit of the City is pledged for payment. The City pledges its taxing power as to all taxable property. Capital outlay 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, 2016</u>
Capital Outlay Note	3/15/2012	\$ 252,000	2.10%	3/15/2019	\$ 112,567
Capital Outlay Note	11/14/2013	441,838	3.50%	11/14/2018	268,987
Capital Outlay Note	12/4/2014	394,300	1.30%	12/4/2017	262,867
Capital Outlay Note	1/11/2016	177,500	1.58%	1/11/2019	177,500
					<u>\$ 821,921</u>

Capital Outlay Note issued 03-15-12 debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 36,735	2,397	39,132
2018	37,517	1,615	39,132
2019	38,315	816	39,131
	<u>\$ 112,567</u>	<u>4,828</u>	<u>117,395</u>

Capital Outlay Note issued 11-14-13 debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 88,349	3,360	91,709
2018	89,656	2,053	91,709
2019	90,982	726	91,708
	<u>\$ 268,987</u>	<u>6,139</u>	<u>275,126</u>

Capital Outlay Note issued 12-4-14 debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 131,433	3,474	134,907
2018	131,434	1,733	133,167
	<u>\$ 262,867</u>	<u>5,207</u>	<u>268,074</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Notes Payable (Continued)**

Capital Outlay Note issued 01-11-16 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 58,224	2,851	61,075
2018	59,164	1,911	61,075
2019	60,112	963	61,075
	<u>\$ 177,500</u>	<u>5,725</u>	<u>183,225</u>

Total debt service requirements to maturity for Capital Outlay Notes are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 314,741	12,082	326,823
2018	317,771	7,312	325,083
2019	189,409	2,505	191,914
	<u>\$ 821,921</u>	<u>21,899</u>	<u>843,820</u>

**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 2010 and 2012 Series are payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The full faith and credit of the City is pledged for payment. Although not secured by the net revenues of the water system, proceeds of the Bonds will be used to fund water projects. Debt service on that portion of the bonds will be paid in its entirety from the net revenues of the water system. The 2002 Series has pledged the net revenues of the water system. In the event of a deficiency of net revenues for such purposes, the bonds are payable from direct annual taxes to be levied on all taxable property in the City. The full faith and credit of the City is pledged. The Electric Department 2007, and 2015 bonds are secured by a pledge of the net revenues of the Department. Neither the full faith and credit nor taxing power of the City is pledged. The 2010 Electric Department Revenue Bonds are additionally payable from, but not secured by, direct payment credits received in respect of such emission of bonds.

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

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Bonds Payable (Continued)**

The following is a summary of revenue bonds currently outstanding and the funds from which they will be paid:

<u>Water and Sewer Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2016</u>
Water and Sewer Revenue and Tax Refunding and Improvement Bonds - Series 2002B	6/12/2002	\$ 5,647,414	4.90-5.61%	6/1/2031	\$ 4,342,589
Water and Sewer General Obligation Improvement Bonds - Series 2010B	4/30/2010	3,540,000	3.00-4.00%	6/1/2030	2,610,000
Water and Sewer General Obligation Improvement Bonds - Series 2010C	12/13/2010	2,460,000	2.00-4.10%	6/1/2030	1,715,000
Water and Sewer General Obligation Refunding Bonds - Series 2012	7/27/2012	2,190,000	0.25%-2.00%	3/1/2023	775,000
<u>Electric Department Fund</u>					
Revenue Bonds - Series 2007	12/20/2007	15,000,000	4.00-5.00%	12/27/2018	2,220,000
Revenue Bonds - Series 2010	4/20/2010	20,585,000	1.75-6.25%	9/1/2035	20,035,000
Revenue Refunding Bonds - Series 2015A	3/19/2015	9,280,000	2.00-2.50%	9/1/2027	9,170,000
Revenue Refunding Bonds - Series 2015B	3/19/2015	1,905,000	2.00-3.00%	9/1/2022	1,885,000
					<u>\$ 42,752,589</u>



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

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**NOTE 7 - 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:

Year Ending June 30	Principal	Interest	Total
2017	\$ 405,755	469,245	875,000
2018	382,462	492,538	875,000
2019	358,969	516,031	875,000
2020	337,050	537,950	875,000
2021	316,680	558,320	875,000
2022-2026	1,459,694	3,385,306	4,845,000
2027-2031	1,081,979	3,678,021	4,760,000
	<u>\$ 4,342,589</u>	<u>9,637,411</u>	<u>13,980,000</u>

Water and Sewer General Obligation Improvement Bonds - Series 2010B issued 04-30-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 115,000	94,944	209,944
2018	125,000	91,494	216,494
2019	135,000	87,744	222,744
2020	145,000	83,525	228,525
2021	160,000	78,812	238,812
2022-2026	900,000	309,900	1,209,900
2027-2030	1,030,000	105,412	1,135,412
	<u>\$ 2,610,000</u>	<u>851,831</u>	<u>3,461,831</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Bonds Payable (Continued)**

Water and Sewer General Obligation Improvement Bonds - Series 2010C issued 12-13-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 135,000	61,159	196,159
2018	135,000	57,109	192,109
2019	130,000	53,058	183,058
2020	130,000	49,159	179,159
2021	125,000	45,259	170,259
2022-2026	605,000	161,231	766,231
2027-2030	455,000	46,420	501,420
	<u>\$ 1,715,000</u>	<u>473,395</u>	<u>2,188,395</u>

Water and Sewer General Obligation Refunding Bonds - Series 2012 issued 7-27-12 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 110,000	12,737	122,737
2018	110,000	11,637	121,637
2019	110,000	10,263	120,263
2020	115,000	8,613	123,613
2021	115,000	6,600	121,600
2022-2023	215,000	6,300	221,300
	<u>\$ 775,000</u>	<u>56,150</u>	<u>831,150</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Bonds Payable (Continued)**

Revenue Bonds issued 12-20-07 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 710,000	95,900	805,900
2018	740,000	60,400	800,400
2019	770,000	30,800	800,800
	<u>\$ 2,220,000</u>	<u>187,100</u>	<u>2,407,100</u>

Revenue Bonds issued 04-20-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 145,000	1,168,906	1,313,906
2018	155,000	1,163,088	1,318,088
2019	155,000	1,156,694	1,311,694
2020	160,000	1,149,800	1,309,800
2021	160,000	1,142,500	1,302,500
2022-2026	1,880,000	5,507,547	7,387,547
2027-2031	6,630,000	4,490,422	11,120,422
2032-2036	10,750,000	1,722,919	12,472,919
	<u>\$ 20,035,000</u>	<u>17,501,876</u>	<u>37,536,876</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Bonds Payable (Continued)**

Revenue Refunding Bonds issued 03-19-15 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 100,000	205,250	305,250
2018	105,000	203,200	308,200
2019	105,000	201,100	306,100
2020	900,000	191,050	1,091,050
2021	920,000	171,700	1,091,700
2022-2026	4,905,000	544,162	5,449,162
2027-2028	2,135,000	53,687	2,188,687
	<u>\$ 9,170,000</u>	<u>1,570,149</u>	<u>10,740,149</u>

Revenue Refunding Bonds issued 03-19-15 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 250,000	43,700	293,700
2018	255,000	38,650	293,650
2019	260,000	33,500	293,500
2020	270,000	28,200	298,200
2021	275,000	21,375	296,375
2022-2023	575,000	17,325	592,325
	<u>\$ 1,885,000</u>	<u>182,750</u>	<u>2,067,750</u>

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

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Bonds Payable (Continued)**

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,970,755	2,151,841	4,122,596
2018	2,007,462	2,118,116	4,125,578
2019	2,023,969	2,089,190	4,113,159
2020	2,057,050	2,048,297	4,105,347
2021	2,071,680	2,024,566	4,096,246
2022-2026	10,539,694	9,931,771	20,471,465
2027-2031	11,331,979	8,373,962	19,705,941
2032-2036	10,750,000	1,722,919	12,472,919
	<u>\$ 42,752,589</u>	<u>30,460,662</u>	<u>73,213,251</u>

The 2010 Revenue Bonds in the Electric Department are taxable Build America Bonds. The bonds provide for a 35% federal subsidy on the total interest requirements, which are paid semiannually corresponding with the interest payment dates to the bondholders. The interest requirements for this bond in the schedule of maturities are shown at the gross amount. The remaining federal subsidy totals \$5,709,110 through the term of the bonds.

**Notes Payable**

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

Water and Sewer Fund	Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2016
Capital Outlay Note	9/5/2013	\$ 263,000	1.48%	8/23/2018	\$ 160,128
Capital Outlay Note	9/5/2013	300,000	2.48%	8/23/2023	245,791
Sanitation Fund					
Capital Outlay Note	3/22/2012	167,500	1.99%	3/22/2017	34,833
Capital Outlay Note	2/26/2013	210,717	1.49%	2/26/2018	86,186
					<u>\$ 526,938</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Notes Payable (Continued)**

Water and Sewer Capital Outlay Note issued 09-05-13 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 52,582	2,410	54,992
2018	53,377	1,614	54,991
2019	54,169	813	54,982
	<u>\$ 160,128</u>	<u>4,837</u>	<u>164,965</u>

Water and Sewer Capital Outlay Note issued 09-05-13 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 28,106	6,198	34,304
2018	28,829	5,474	34,303
2019	29,554	4,749	34,303
2020	30,297	4,006	34,303
2021	31,050	3,253	34,303
2022-2024	97,955	4,968	102,923
	<u>\$ 245,791</u>	<u>28,648</u>	<u>274,439</u>

Sanitation Capital Outlay Note issued 03-22-12 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 34,833	693	35,526
	<u>\$ 34,833</u>	<u>693</u>	<u>35,526</u>

Sanitation Capital Outlay Note issued 02-26-13 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 42,770	1,302	44,072
2018	43,416	656	44,072
	<u>\$ 86,186</u>	<u>1,958</u>	<u>88,144</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**Notes Payable (Continued)**

Total debt service requirements to maturity for Capital Outlay Notes are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 158,291	10,603	168,894
2018	125,622	7,744	133,366
2019	83,723	5,562	89,285
2020	30,297	4,006	34,303
2021	31,050	3,253	34,303
2022-2024	97,955	4,968	102,923
	<u>\$ 526,938</u>	<u>36,136</u>	<u>563,074</u>

**State Loans Payable**

The City currently has three projects with the State of Tennessee. All three of the projects have been completed and the final obligation and amortization schedules has been completed. The three completed projects are: SRF 2011-272 with a balance of \$2,643,442, DWO-2011-112 with a balance of \$800,483 and SRF Drinking Water DGI 12-120 Eastside with a balance of \$440,936. Total State Loans Payable as of June 30, 2016 is \$3,884,861.

SRF 2011-272 state loan payable requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 119,172	47,640	166,812
2018	121,380	45,432	166,812
2019	123,636	43,176	166,812
2020	125,928	40,884	166,812
2021	128,268	38,544	166,812
2022-2026	677,928	156,132	834,060
2027-2031	743,184	90,876	834,060
2032-2035	603,946	21,512	625,458
	<u>\$ 2,643,442</u>	<u>484,196</u>	<u>3,127,638</u>

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

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**State Loans Payable (Continued)**

DWO-2011-112 state loans payable requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 36,552	15,600	52,152
2018	37,284	14,868	52,152
2019	38,040	14,112	52,152
2020	38,796	13,356	52,152
2021	39,576	12,576	52,152
2022-2026	210,144	50,616	260,760
2027-2031	232,116	28,644	260,760
2032-2035	167,975	5,727	173,702
	<u>\$ 800,483</u>	<u>155,499</u>	<u>955,982</u>

DGI-12-120 state loans payable requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 21,228	3,324	24,552
2018	21,396	3,156	24,552
2019	21,564	2,988	24,552
2020	21,732	2,820	24,552
2021	21,900	2,652	24,552
2022-2026	112,044	10,716	122,760
2027-2031	116,436	6,324	122,760
2032-2035	104,636	1,803	106,439
	<u>\$ 440,936</u>	<u>33,783</u>	<u>474,719</u>



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

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (Continued)**

**State Loans Payable (Continued)**

Total state loans payable requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 176,952	66,564	243,516
2018	180,060	63,456	243,516
2019	183,240	60,276	243,516
2020	186,456	57,060	243,516
2021	189,744	53,772	243,516
2022-2026	1,000,116	217,464	1,217,580
2027-2031	1,091,736	125,844	1,217,580
2032-2035	876,557	29,042	905,599
	<u>\$ 3,884,861</u>	<u>673,478</u>	<u>4,558,339</u>

**NOTE 8 - FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances:			
Nonspendable:			
Inventories	\$ 29,175	-	29,175
Prepaid Expense	2,813	-	2,813
Bolling Trust	-	25,000	25,000
Total Non-Spendable	<u>31,988</u>	<u>25,000</u>	<u>56,988</u>
Restricted for:			
Library Donation	35,195	-	35,195
Police Community Relations	-	3,048	3,048
Department of Justice	-	77,770	77,770

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

**NOTE 8 - FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)**

	General Fund	Nonmajor Governmental Funds	Total
Restricted for: (Continued)			
Police Drug Enforcement Fund	-	96,899	96,899
Fundraiser	-	2,253	2,253
Veteran's Walk of Honor Phase II	-	93,847	93,847
Bolling Trust	-	5,505	5,505
Total Restricted	<u>35,195</u>	<u>279,322</u>	<u>314,517</u>
Committed to:			
City Schools	644,371	-	644,371
Downtown Restrooms	25,486	-	25,486
Debt Service	2,033,377	-	2,033,377
Special Capital Projects	-	6,502	6,502
Debt Issue	-	1,434	1,434
Police Technology Fee	-	61,307	61,307
Total Committed	<u>2,703,234</u>	<u>69,243</u>	<u>2,772,477</u>
Assigned to:			
Police	1,876	-	1,876
Christmas Tree	180	-	180
Capital Outlay Note 2014	1,571	-	1,571
Capital Outlay Note 2016	8,718	-	8,718
Acoustical	4,000	-	4,000
Bridge	10,000	-	10,000
Sidewalk	11,774	-	11,774
Industrial Development	4,195	-	4,195
Library	55,000	-	55,000
Elk Avenue Bridge Repair	125,000	-	125,000
Radios	166,000	-	166,000
Mixed Drink - County	92,448	-	92,448
Mixed Drink - City	35,771	-	35,771
Linear Path Phase V	-	210,222	210,222
Joe O'Brien Field	-	3,240	3,240
Total Assigned	<u>516,533</u>	<u>213,462</u>	<u>729,995</u>
Unassigned	<u>4,078,006</u>	-	<u>4,078,006</u>
Total Fund Balances	<u><u>\$ 7,364,956</u></u>	<u><u>587,027</u></u>	<u><u>7,951,983</u></u>

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

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables, payables and transfers at June 30, 2016 were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Water and Sewer	\$ 13,950	Reimbursement for Charges
General	Sanitation	12,116	Reimbursement for Charges
General	Police Drug Enforcement	1,103	Reimbursement for Charges
Police Drug Enforcement	General	1,083	Reimbursement
General	Electric Department	83,659	Reimbursement for Charges
Total		<u>\$ 111,911</u>	

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded and payments between funds are made.

Transfer In	Transfer Out	Amount
Park and Recreation Capital Projects	General	\$ 14,000
General	Electric Department	<u>1,474,906</u>
Total		<u>\$ 1,488,906</u>

The transfer from the Electric Department represents the in-lieu of tax payments. The transfer to the Park and Recreation Capital Projects fund was for the Linear Path project.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS**

The City of Elizabethton participates in the Tennessee Consolidated Retirement System. The Elizabethton Electric Department participates in the Tennessee Consolidated Retirement System as well as a private retirement plan, Central Service Association Pension Plan for Governmental Employees.

**Tennessee Consolidated Retirement System (TCRS)**

**General Information about the Pension Plan**

*Plan Description.* Employees of the City of Elizabethton, Tennessee and the employees of the discretely presented component unit, Elizabethton Municipal Airport, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised approximately 98.40 percent and the employees of the Elizabethton Municipal Airport comprised approximately 1.60 percent, of the plan based on contribution data. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

**General Information about the Pension Plan (Continued)**

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2015, the following employees for the City of Elizabethton's plan as a whole were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	157
Active employees	208
	<u>510</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Beginning in year 2011, the employee non-contributory status was reversed; therefore as of year 2011, employees contribute 5 percent of salary. Elizabethton makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Elizabethton was \$1,213,361, based on a rate of 14.49 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Elizabethton's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability**

Elizabethton's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

**Net Pension Liability (Continued)**

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33.00%
Developed Market International Equity	6.26%	17.00%
Emerging Market International Equity	6.40%	5.00%
Private Equity and Strategic Lending	4.61%	8.00%
U.S. Fixed Income	0.98%	29.00%
Real Estate	4.73%	7.00%
Short-Term Securities	0.00%	1.00%
		<u>100.00%</u>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

**Net Pension Liability (Continued)**

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

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2014	\$ 24,900,446	21,162,062	3,738,384
Changes for the year:			
Service Cost	539,534	-	539,534
Interest	1,852,588	-	1,852,588
Differences Between Expected and Actual Experience	(222,980)	-	(222,980)
Contributions - Employer	-	1,213,361	(1,213,361)
Contributions - Employees	-	89,281	(89,281)
Net Investment Income	-	648,875	(648,875)
Benefit Payments, Including Refunds of Employee Contributions	(1,477,618)	(1,477,618)	-
Administrative Expense	-	(11,348)	11,348
Net Changes	691,524	462,551	228,973
Balance at 6/30/2015	<u>\$ 25,591,970</u>	<u>21,624,613</u>	<u>3,967,357</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

**Allocation of Changes in the Net Pension Liability**

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Primary Government	98.40%	\$ 25,164,366	21,259,769	3,904,597
Elizabethton Municipal Airport	1.60%	427,604	364,844	62,760
Total		<u>\$ 25,591,970</u>	<u>21,624,613</u>	<u>3,967,357</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of Elizabethton calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
City of Elizabethton			
Net Pension Liability	\$ 7,079,726	3,967,357	1,343,636

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

*Pension Expense.* For the year ended June 30, 2016, Elizabethton recognized pension expense of \$537,555, respectively.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Elizabethton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	290,098
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	745,034	993,231
Contributions Subsequent to the Measurement Date of June 30, 2015	1,262,903	-
	<u>\$ 2,007,937</u>	<u>1,283,329</u>

The amounts shown above for “Net Difference Between Projected and Actual Earnings on Pension Plan Investments” are netted for presentation on the statement of net position. The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” will be recognized as a reduction to net pension liability in the following measurement period.

**Allocation of Deferred Outflows of Resources and Deferred Inflows of Resources**

		Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	98.40%	\$ 1,976,848	1,262,785
Elizabethton Municipal Airport	1.60%	31,089	20,544
Total		<u>\$ 2,007,937</u>	<u>1,283,329</u>

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

Year Ended June 30:	
2017	\$ (196,466)
2018	(196,466)
2019	(196,466)
2020	134,611
2021	(51,648)
Thereafter	(31,860)

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Tennessee Consolidated Retirement System (TCRS) (Continued)**

**Payable to the Pension Plan**

At June 30, 2016, the Airport reported a payable of \$2,046 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**Central Service Association (CSA)**

On October 1, 2005, the Electric 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 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.

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 57<sup>th</sup> birthday, with a minimum of 30 years of service, or age 65 with 5 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 plan covers all employees over 21 years of age with six months of service. At the measurement date of October 1, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>25</u>
	<u><u>96</u></u>

Effective January 12, 2007, the Electric 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.

Covered employees are required to contribute 1.5% of their monthly earnings to the plan. The Electric Department is required to contribute the remaining amount necessary to fund pension costs accrued including amortization of unfunded prior service cost over a period not to exceed 30 years. Any changes to the plan would need to be approved by the Board of the Electric Department and CSA.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Central Service Association (CSA) (Continued)**

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, 2015.

**Actuarial Assumptions**

The total pension liability as of October 1, 2015 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Measurement Date	October 1, 2015
Discount Rate	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	None
Termination	Males: Termination Table T-5 from the Actuary's Handbook Females: Termination Table T-5 from the Actuary's Handbook with a five year setback
Salary Scale	3.00%
Overtime	It is assumed that overtime will continue to be earned at 20% of the prior year's level.
Assumed Retirement Age	Earlier of age 57 with 30 years, or age 65 with 5 years service
Marriage	It is assumed that 80% of participants are married and that a males is 3 years older than his female spouse.
Cost of Living Increase	Not Applicable
Date of Participation Freeze	January 12, 2007
Actuarial Cost Method	Entry age normal, frozen initial liability level percentage of pay
Remaining Amortization Period	12 years
Asset Valuation	5-year smoothed within a 10% corridor to market value
Inflation	1.50%

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Central Service Association (CSA) (Continued)**

**Actuarial Assumptions (Continued)**

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the employer will continue to contribute the actuarially determined contribution in accordance with the Plan's current funding policy on an annual basis. Based on assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	50.20%	3.00%-3.13%
Large Cap	21.40%	6.80%-10.16%
Mid Cap	10.30%	7.77%-12.45%
Small Cap	7.20%	8.82%-15.34%
Real Estate	2.20%	7.53%-12.71%
International Equity	7.40%	6.80%-11.20%
Emerging Market Equity	1.30%	9.30%-22.94%
	<u>100.00%</u>	<u>5.19%-7.54%</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Central Service Association (CSA) (Continued)**

**Changes in the Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 10/1/2014	\$ 16,687,898	10,554,020	6,133,878
Changes for the year:			
Service Cost	109,369	-	109,369
Interest	1,135,069	-	1,135,069
Differences Between Expected and Actual Experience	691,565	-	691,565
Contributions - Employer	-	936,965	(936,965)
Contributions - Employees	-	25,393	(25,393)
Net Investment Income	-	88,399	(88,399)
Benefit Payments, Including Refunds of Employee Contributions	(1,163,998)	(1,163,998)	-
Administrative Expense	-	(46)	46
Net Changes	<u>772,005</u>	<u>(113,287)</u>	<u>885,292</u>
Balance at 10/1/2015	<u>\$ 17,459,903</u>	<u>10,440,733</u>	<u>7,019,170</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Electric Department calculated using the discount rate of 7 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension Liability	\$ 8,896,110	7,019,170	5,324,873

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Central Service Association (CSA) (Continued)**

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

*Pension Expense*

For the year ended June 30, 2016, the Electric Department recognized pension expense of \$687,522.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2016, the Electric Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ 614,724	2,481
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	514,658	14,994
Contributions Subsequent to the Measurement Date of October 1, 2015	707,923	-
	<u>\$ 1,837,305</u>	<u>17,475</u>

The amounts shown above for "Net Difference Between Projected and Actual Earnings on Pension Plan Investments" are netted for presentation on the statement of net position. The amount shown above for "Contributions Subsequent to the Measurement Date of October 1, 2015," will be recognized as a reduction to net pension liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30:

2017	\$ 200,153
2018	200,153
2019	200,153
2020	205,151
2021	76,486
Thereafter	229,811

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

Reconciliation of pension plans for primary government to the Statement of Net Position:

	Net Pension Liability	
	TCRS Plan	CSA Plan
Governmental Activities	<u>\$ 2,312,053</u>	<u>-</u>
Business-Type Activities		
Elizabethton Water and Sewer Fund	887,233	-
Elizabethton Electric Department	591,930	7,019,170
Elizabethton Solid Waste Fund	<u>113,381</u>	<u>-</u>
Total Business-Type Activities	<u>1,592,544</u>	<u>7,019,170</u>
Total Primary Government	<u>3,904,597</u>	<u>7,019,170</u>
Discretely Presented Component Unit		
Elizabethton Municipal Airport	<u>62,760</u>	<u>-</u>
Total Discretely Presented Component Unit	<u>62,760</u>	<u>0</u>
Total Net Pension Liability	<u>\$ 3,967,357</u>	<u>7,019,170</u>

**Other Post-Employment Benefits (OPEB)**

**Plan Types**

The City, including the Electric Department, 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 98% 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 at 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. 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 maximum of \$3,000 with an 80% co-insurance rate. The buy-up plan has a \$750 deductible and out-of-pocket maximum of \$1,500 with an 80% co-insurance rate.

Full-time employees who retire after attaining eligibility for either full service or retirement are eligible to receive retirement benefits referred to as a retirement bonus and retirement gift.

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

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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) (Continued)**

**Plan Types (Continued)**

The amount of the retirement bonus is equal to \$2,500 for full service retirement with less than 20 years of service, \$3,000 with 20 to 30 years of service or \$3,500 with 30 or more years of service.

The amount of the retirement bonus is equal to \$2,500 for early retirement. This benefit is paid in the form of single sum payment upon retirement. An additional retirement gift of \$25 per year of service is paid at the time of retirement to any employee retiring with a full service, early or disability retirement. Benefits are currently funded on a pay-as-you-go basis. For the purposes of reporting, the liability for such benefits are included in the OPEB Asset as reflected on the Statement of Net Position. An actuary study was performed and dated July 1, 2014 for these benefits and the same assumptions as disclosed for the retiree medical and life insurance plan were used.

**Funding Policy**

The City maintains an irrevocable Trust in order to prefund the OPEB obligations. The city established the Other Post-Employment Benefit Trust for the exclusive benefit of retired employees that meet eligibility requirements to fund the post-employment benefits provided through the OPEB plan. Amounts contributed to the trust are held in trust and are irrevocable. Contributions are for the exclusive purpose of funding benefits established by the Plan and the cost of operating and administering the Trust. The Plan did not issue a stand-alone financial report because the Other Post-Employment Benefits Trust Fund is included in the financial statements of the City of Elizabethton, Tennessee.

**Annual OPEB Cost and Net OPEB (Asset) Obligation**

The City and Electric Department's other post-employment 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 (asset) obligation.



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

**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

	City	Electric Department
Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution (ARC)	\$ 519,977	158,009
Interest on Net OPEB Obligation	73,419	16,302
Adjustment to ARC	(114,850)	(25,500)
Annual OPEB Cost (Expense)	478,546	148,811
Contribution Made (assumed end of year)	2,636,305	1,197,224
Decrease in Net OPEB Obligation	(2,157,759)	(1,048,413)
Net OPEB Obligation - Beginning of Year	1,835,493	407,547
Net OPEB Obligation - End of Year	<u>\$ (322,266)</u>	<u>(640,866)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligation for years 2016, 2015 and 2014 are as follows:

	Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
City	6/30/2016	\$ 478,546	551%	\$ (322,266)
City	6/30/2015	461,878	50%	1,835,493
City	6/30/2014	477,891	40%	1,602,300
Electric Department	6/30/2016	148,811	805%	(640,866)
Electric Department	6/30/2015	146,610	81%	407,547
Electric Department	6/30/2014	154,067	81%	390,023

**Funded Status and Funding Progress**

At the start of year 2016, the plan was not pre-funded. The actuarial accrued liability for benefits was \$4,414,633 for the City and \$1,540,291 for the Electric Department. The covered payroll was \$8,005,147 for the City and \$2,666,790 for the Electric Department and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 24.07% for the City and 15.49% for the Electric Department. During year 2016 the City established an irrevocable Trust for the purpose of prefunding the actuarial accrued liability. The initial contribution to the plan was \$2,488,166 for the City and \$1,127,257 for the Electric Department. These contributions represented 56.4% of the City's actuarial accrued liability and 73.2% of the Electric Department's actuarial accrued liability. 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.

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

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**NOTE 10 - RETIREMENT COMMITMENTS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) (Continued)**

**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 last complete actuarial valuation was performed as of July 1, 2014 and the results were “rolled forward” to July 1, 2015 using established actuarial techniques and methods. The July 1, 2014 valuation was based on the projected unit credit actuarial cost method. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses) on the system’s assets and average health care trend cost rates are assumed to increase by 8.50% (year 1), 8.00% (years 2 and 3), 7.50% (years 4 and 5), 7.00% (years 6 and 7), 6.50% (years 8 and 9), 6.00% (years 10 and 11), and 5.50% thereafter. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The ARC was calculated using the level dollar amortization method, amortizing costs over 30 years.

**NOTE 11 - LITIGATION**

**Lawsuits and Pending Claims**

Various claims and lawsuits are pending against the City. In the opinion of 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.

**Contingencies**

The Tennessee Department of Environment and Conservation (TDEC) is pursuing an action in regard to the closed landfill because of the presence of some waste from a company 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 year (e.g. after June 30, 2006).

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 12 - RISK MANAGEMENT**

The City 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 arrangements 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. The coverage has been approximately the same for the past three years and there have been no settlements in excess of coverage during the past three years.

**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS**

**Elizabethton Municipal Airport**

**Capital Assets**

Capital assets activity for the Airport for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 2,534,252	2,004,998	-	4,539,250
Construction in Progress	4,829,023	621,428	(2,014,837)	3,435,614
Total Capital Assets, Not Being Depreciated	7,363,275	2,626,426	(2,014,837)	7,974,864
Capital Assets, Being Depreciated:				
Land Improvements	2,090,679	9,840	-	2,100,519
Hangars and Terminal Building	2,751,832	-	-	2,751,832
Major Moveable Equipment	420,244	32,782	-	453,026
Total Capital Assets, Being Depreciated	5,262,755	42,622	0	5,305,377
Less Accumulated Depreciation For:				
Land Improvements	(1,040,732)	(45,053)	-	(1,085,785)
Hangars and Terminal Building	(989,911)	(87,814)	-	(1,077,725)
Major Moveable Equipment	(349,364)	(19,342)	-	(368,706)
Total Accumulated Depreciation	(2,380,007)	(152,209)	0	(2,532,216)
Total Capital Assets, Being Depreciated, Net	2,882,748	(109,587)	0	2,773,161
Total Capital Assets, Net	\$ 10,246,023	2,516,839	(2,014,837)	10,748,025

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Airport (Continued)**

**Long-Term Liabilities**

During the year ended June 30, 2016, the following debt transactions occurred for the Airport:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Expansion Loan	\$ 295,500	-	100,000	195,500	100,000
Net Pension Liability	59,362	35,665	32,267	62,760	-
Compensated Absences	21,830	5,348	4,885	22,293	10,777
	<u>\$ 376,692</u>	<u>41,013</u>	<u>137,152</u>	<u>280,553</u>	<u>110,777</u>

The interest rate on the Airport debt is fixed for the expansion loan. The estimated debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 100,000	2,139	102,139
2018	95,500	-	95,500
	<u>\$ 195,500</u>	<u>2,139</u>	<u>197,639</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education**

**Capital Assets**

Capital assets activity for the Board of Education for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	3,798,155	2,867,533	-	6,665,688
Total Capital Assets, Not Being Depreciated	4,014,325	2,867,533	0	6,881,858
Capital Assets, Being Depreciated				
Buildings and Improvements	23,747,807	-	-	23,747,807
Motor Equipment	2,068,245	24,549	(146,673)	1,946,121
Total Capital Assets, Being Depreciated	25,816,052	24,549	(146,673)	25,693,928
Less Accumulated Depreciation For:				
Buildings and Improvements	(10,487,015)	(419,784)	-	(10,906,799)
Motor Equipment	(984,629)	(149,406)	139,340	(994,695)
Total Accumulated Depreciation	(11,471,644)	(569,190)	139,340	(11,901,494)
Total Capital Assets, Being Depreciated, Net	14,344,408	(544,641)	(7,333)	13,792,434
Total Capital Assets, Net	\$ 18,358,733	2,322,892	(7,333)	20,674,292

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

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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Long-Term Liabilities**

During the year ended June 30, 2016, the following debt transactions occurred for the Board of Education:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities: Compensated Absences	\$ 53,038	14,211	5,835	61,414	14,211
Governmental Activities Long-Term Liabilities	\$ 53,038	14,211	5,835	61,414	14,211

**Retirement Commitments – Agency Plan**

**General Information about the Pension Plan - Agency Plan**

*Plan Description.* Employees of Elizabethton City Board of Education are provided a defined benefit plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

**General Information about the Pension Plan - Agency Plan (Continued)**

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

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to but not yet receiving benefits	164
Active employees	<u>110</u>
	<u><u>387</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Elizabethton City Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Elizabethton City Board of Education was \$194,363 based on a rate of 8.31 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Elizabethton City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability**

Elizabethton City Board of Education's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

**Net Pension Liability - Agency Plan (Continued)**

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

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

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

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

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



**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

**Net Pension Liability - Agency Plan (Continued)**

Actuarial Assumptions (Continued)

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
		<u>100%</u>

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

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

**Changes in the Net Pension Liability:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balance at 6/30/2014</b>	\$ 8,118,876	7,910,870	208,006
<b>Changes for the year:</b>			
Service Cost	206,173	-	206,173
Interest	606,661	-	606,661
Differences Between Expected and Actual Experience	(71,927)	-	(71,927)
Contributions - Employer	-	194,363	(194,363)
Contributions - Employees	-	116,946	(116,946)
Net Investment Income	-	240,557	(240,557)
Benefit Payments, Including Refunds of Employee Contributions	(472,481)	(472,481)	-
Administrative Expense	-	(5,700)	5,700
<b>Net Changes</b>	<u>268,426</u>	<u>73,685</u>	<u>194,741</u>
<b>Balance at 6/30/2015</b>	<u><u>\$ 8,387,302</u></u>	<u><u>7,984,555</u></u>	<u><u>402,747</u></u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of Elizabethton City Board of Education calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued).*

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Elizabethton City Board of Education's Net Pension Liability (Asset)	\$ 1,471,617	402,747	(494,567)

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

*Negative Pension Expense:* For the year ended June 30, 2016, Elizabethton City Board of Education recognized negative pension expense of \$25,719.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Elizabethton City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ -	256,076
Net Difference Between Projected and Actual Earnings on Pension Plan investments	277,201	372,570
Contributions Subsequent to the Measurement Date of June 30, 2015	<u>192,614</u>	<u>-</u>
	<u><u>\$ 469,815</u></u>	<u><u>628,646</u></u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Agency Plan (Continued)**

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

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued).* The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:	
2017	\$ (140,249)
2018	(140,249)
2019	(140,249)
2020	69,302
2021	-
Thereafter	-

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

**Retirement Commitments - Teacher Legacy Pension Plan**

**General Information about the Pension Plan**

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Legacy Pension Plan (Continued)**

**General Information about the Pension Plan (Continued)**

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Elizabethton City Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$922,907 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Legacy Pension Plan (Continued)**

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

*Pension Liabilities.* At June 30, 2016, the Elizabethton City Schools reported a liability of \$111,065 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Elizabethton City Schools' proportion of the net pension liability was based on Elizabethton City Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2015 Elizabethton City Schools' proportion was 0.271131 percent. The proportion measured as of June 30, 2014 was 0.266606 percent.

*Negative Pension Expense.* For the year ended June 30, 2016, Elizabethton City Schools recognized negative pension expense of \$60,355.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Elizabethton City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ 89,134	1,728,738
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,005,481	2,722,549
Changes in Proportion of Net Pension Liability (Asset)	167,057	-
Contributions Subsequent to the Measurement Date of June 30, 2015	<u>922,907</u>	<u>-</u>
	<u><u>\$ 3,184,579</u></u>	<u><u>4,451,287</u></u>

The amounts shown above for "Net difference between projected and actual earnings on pension plan investments" are netted for presentation on the statement of net position.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Legacy Pension Plan (Continued)**

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

Elizabethton City Schools employer contributions of \$922,907, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (700,656)
2018	(700,656)
2019	(700,656)
2020	206,861
2021	(294,508)
Thereafter	-

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

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

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Legacy Pension Plan (Continued)**

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

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

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

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
		<hr/> 100%

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Legacy Pension Plan (Continued)**

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

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

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

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

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 7,572,017	111,065	(6,065,724)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan**

**General Information about the Pension Plan**

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

*Benefits Provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of deaths benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan (Continued)**

**General Information about the Pension Plan (Continued)**

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were \$40,688, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration as well as an amortized portion of any unfunded liability.

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

*Pension Asset.* At June 30, 2016, the Elizabethton City Schools reported an asset of \$11,002 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Elizabethton City Schools' proportion of the net pension asset was based on Elizabethton City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Elizabethton City Schools' proportion was 0.273482 percent.

*Pension Expense.* For the year ended June 30, 2016, Elizabethton City Schools recognized pension expense of \$14,419.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Elizabethton City Schools reported deferred outflows of resources related to pensions from the following sources:

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ -	3,581
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	889	-
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	<u>40,688</u>	<u>-</u>
	<u><u>\$ 41,577</u></u>	<u><u>3,581</u></u>

Elizabethton City Schools' employer contributions of \$40,688, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (76)
2018	(76)
2019	(76)
2020	(76)
2021	(298)
Thereafter	(2,090)

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

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan (Continued)**

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

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

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

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

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan (Continued)**

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

*Actuarial Assumptions (Continued)*

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
		<u>100%</u>

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

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

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents Elizabethton City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Elizabethton City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments – Teacher Retirement Plan (Continued)**

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

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

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 1,951	(11,002)	(20,502)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Retirement Commitments - Other Post-Employment Healthcare Plan**

**Plan Description**

The Schools participate in the State-administered Teacher Group Insurance Plan, Medicare Supplement 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) 8-27-201 for the state plan and the Medicare Supplement Plan or TCA 8-27-207 (local governments). Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) 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/article/fa-accfin-cafr>.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments - Other Post-Employment Healthcare Plan (Continued)**

**Special Funding Situation**

The state is legally responsible for contributions to the Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole contributor for the LEA employees in the Teacher Plan since some of these agencies provide additional direct subsidies and all provide implicit subsidies. However, the state is the sole contributor for the vast majority of LEA and higher education teachers that participate in the Medicare Supplement Plan.

**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. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25.

The Schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2016 are as follows:

**Monthly Premiums – Retiree:**

PPO     30 plus years: \$297 to \$322, 20 - 29 years: \$351 to \$376, and 20 years or less: \$406 to \$431 (single coverage)

**Monthly Premiums – Active:**

PPO     \$540 (single coverage)

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



**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments - Other Post-Employment Healthcare Plan (Continued)**

**Funding Policy (Continued)**

	07/01/2015 - 06/30/2016
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 630,000
2. Interest on net OPEB Obligation	125,460
3. Adjustment to ARC	(125,963)
4. Annual OPEB Cost (Expense) (1+2+3)	629,497
5. Contribution made (assumed end of year)*	269,988
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	359,509
7. Net OPEB Obligation - beginning of year	3,345,589
8. Net OPEB Obligation - end of year (6 + 7)	<u>\$ 3,705,098</u>

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

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2016	Teacher and Local Government	\$ 629,497	42.9%	\$ 3,705,098
6/30/2015	Teacher and Local Government	691,023	40.2%	3,345,589
6/30/2014	Teacher and Local Government	666,688	48.5%	2,932,418

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Valuation Date	July 1, 2015
Actuarial Accrued Liability (AAL)	\$ 5,451,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,451,000</u>
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	\$ 14,087,221
UAAL as a Percentage of Covered Payroll	38.69%

**CITY OF ELIZABETHTON, TENNESSEE**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments - Other Post-Employment Healthcare Plan (Continued)**

**Actuarial Methods and Assumptions**

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 of Post-Retirement Benefits Other than Pensions, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

In the July 1, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent. The rate decreases to 6 percent in year 2016, and then will be reduced by decrements to an ultimate rate of 4.7 percent in year 2050. The rate includes a 2.5 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 July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

Total on-behalf payments were \$115,978.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course**

**Capital Assets**

Capital assets activity for the Golf Course for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 72,334	-	-	72,334
Motor Equipment	798,679	9,304	-	807,983
Office Equipment	13,442	-	-	13,442
Infrastructure	1,424,926	40,921	-	1,465,847
Total Capital Assets, Being Depreciated	<u>2,309,381</u>	<u>50,225</u>	<u>0</u>	<u>2,359,606</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(66,073)	(1,696)	-	(67,769)
Motor Equipment	(705,798)	(33,402)	-	(739,200)
Office Equipment	(13,442)	-	-	(13,442)
Infrastructure	(1,009,320)	(26,819)	-	(1,036,139)
Total Accumulated Depreciation	<u>(1,794,633)</u>	<u>(61,917)</u>	<u>0</u>	<u>(1,856,550)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 514,748</u>	<u>(11,692)</u>	<u>0</u>	<u>503,056</u>

**Capital Leases**

The Golf Course leases various mowing and 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 asset to the lessee. During the year 2016, the Golf Course obtained one new capital lease for equipment.

Additionally, all capital leases held under one leasing company were consolidated into one lease in March of 2016. Under the new agreement, there will be eight annual payments. The consolidated lease is set to mature in November 2019.

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

Various Mowing and Turf Equipment	\$147,373
Less: Accumulated Depreciation	<u>(94,993)</u>
	<u>\$ 52,380</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course (Continued)**

**Capital Leases (Continued)**

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

Capital lease obligations at June 30, 2016, and changes for the year then ended are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease - Various Equipment	\$ 60,182	6,800	25,291	41,691	7,229
Capital Lease - Toro Groundmaster	31,330	-	10,589	20,741	11,011
Total Capital Lease Obligations	<u>\$ 91,512</u>	<u>6,800</u>	<u>35,880</u>	<u>62,432</u>	<u>18,240</u>

The following presents future minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30	
2017	\$ 28,058
2018	28,676
2019	18,763
2020	9,381
Less: Interest	<u>(22,446)</u>
Present Value of Minimum Lease Payments	<u>\$ 62,432</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course (Continued)**

**Operating Leases**

The 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 1/3 of all driving range annual income received in excess of \$22,500 as a lump sum annually. The lease agreement matured March 1, 2014. A new agreement has not been entered into as of the year ended June 30, 2016. Total lease expense for the year was \$13,500.

In January 2015, the Golf Course entered into a new operating lease for golf carts. Monthly payments of principal and interest are \$2,831 and the final payment on the term of the lease will be due in year 2020. Total lease expense, including interest, for the year was \$33,972.

Future payments required under the operating leases are as follows:

Fiscal Year Ending June 30	
2017	\$ 33,972
2018	33,972
2019	33,972
2020	16,986
	<u>\$ 118,902</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 that have achieved six months of service, 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 is outsourced to a third-party vendor. Administrative costs assessed are the responsibility of the plan participants. Plan assets are the property of the City's participating employees and therefore they are not presented in the accompanying financial statements. No contributions are made to the plan by the City. Employee contributions totaled \$52,692 for the fiscal year ended June 30, 2016.

**Defined Contribution Plan**

The City offers its employees a 401(k) plan administered by a third party. The plan is available to employees hired after July 1, 2014. Retirement eligibility begins at age 65 and vested or if the Rule of 90 applies, where the sum of service and age must be equal to ninety. Employees contribute 2% of eligible compensation but may opt out of this. The City provides a 5% match. Employee and employer contributions for the City totaled \$187 and \$13,462 respectively for the fiscal year ended June 30, 2016.

**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. The landfill was closed in 2000 and there are no separately issued financial statements. The County has active permits on file with the State Department of Environment and Conservation and has provided the financial assurances for estimated postclosure liabilities as required by the State of Tennessee. The City and County each pay 50% of the monitoring costs. The County has recorded the full liability in their funds and bills the City for one-half of associated expenses in accordance to the written agreement.

**NOTE 15 - COMMITMENTS**

In October 2008, the City entered into a long-term contractual agreement with the Watauga River Regional Water Authority (the Authority). The City, per the terms of the agreement, agreed to purchase potable water from the Authority and the Authority agreed to provide the City, during the term of the contract, up to 1,000,000 gallons of potable water per day pursuant to the price established per the agreement. The performance of this contract began December 2012. The term of the agreement is 20 years from the date water was first made available to the City with the option to renew for 5 years at the end of the initial 20 years. The City, per the agreement, agreed to pay the Authority a \$5,000,000 capital contribution for construction.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 15 – COMMITMENTS (CONTINUED)**

In accordance with the provisions of GASB 51, *Accounting and Financial Reporting for Intangible Assets*, the asset is reflected in the Water and Sewer Fund at \$5,000,000 and amortization expense began in year 2013, when the Authority completed the plant and the City began to obtain water from the Authority. As of June 30, 2016, the asset balance is \$4,104,167. The current year amortization totals \$250,000. The Electric Department has active construction projects as of June 30, 2016 for outage management project. At year end, the Electric Department's commitments for the projects total approximately \$129,000. The Water and Sewer Fund has active construction projects as of June 30, 2016 for infrastructure improvements. At year end, the Water and Sewer Fund's commitments for the projects total approximately \$425,000.

**NOTE 16 - CONCENTRATION**

The City depends upon financial resources flowing from, or associated with, both the Federal Government and the State of Tennessee. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED**  
**ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 538,390	\$ 539,534
Interest	1,796,722	1,852,588
Changes in Benefit Terms	-	-
Differences Between Actual and Expected Experience	(138,560)	(222,980)
Change of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,428,030)</u>	<u>(1,477,618)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	768,522	691,524
TOTAL PENSION LIABILITY - BEGINNING	<u>24,131,924</u>	<u>24,900,446</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u><u>\$ 24,900,446</u></u>	<u><u>\$ 25,591,970</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 1,180,454	\$ 1,213,361
Contributions - Employee	66,896	89,281
Net Investment Income	3,022,920	648,875
Benefit Payments, Including Refunds of Employee Contributions	(1,428,030)	(1,477,618)
Administrative Expense	<u>(8,625)</u>	<u>(11,348)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,833,615	462,551
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>18,328,447</u>	<u>21,162,062</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u><u>\$ 21,162,062</u></u>	<u><u>\$ 21,624,613</u></u>
NET PENSION LIABILITY - ENDING (a) - (b)	<u><u>\$ 3,738,384</u></u>	<u><u>\$ 3,967,357</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	84.99%	84.50%
COVERED PAYROLL	\$ 8,079,780	\$ 8,371,254
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	46.27%	47.39%

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

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE PENSION OF TCRS**  
**Last Fiscal Year Ending June 30**

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	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 1,180,454	\$ 1,213,361	\$ 1,262,903
Contributions in Relation to the Actuarially Determined Contribution	<u>1,180,454</u>	<u>1,213,361</u>	<u>1,262,903</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 Covered Payroll	 \$ 8,079,780	 \$ 8,371,254	 \$ 8,715,687
Contributions as a Percentage of Covered Payroll	14.61%	14.49%	14.49%

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

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - TCRS**  
**June 30, 2016**

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**Notes to Schedule - TCRS**

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

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Frozen initial liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	12 years
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.00 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED**  
**RATIOS BASED ON PARTICIPATION IN THE GOVERNMENTAL EMPLOYEES PENSION PLAN OF CSA**  
**Last Fiscal Year Ending June 30**

	2014	2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 107,733	109,369
Interest	1,131,940	1,135,069
Changes in Benefit Terms	-	-
Differences Between Actual and Expected Experience	(3,191)	691,565
Change of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(1,222,850)	(1,163,998)
NET CHANGE IN TOTAL PENSION LIABILITY	13,632	772,005
TOTAL PENSION LIABILITY - BEGINNING	16,674,266	16,687,898
TOTAL PENSION LIABILITY - ENDING (a)	\$ 16,687,898	17,459,903
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 905,956	936,965
Contributions - Employee	25,691	25,393
Net Investment Income	723,358	88,399
Benefit Payments, Including Refunds of Employee Contributions	(1,222,850)	(1,163,998)
Administrative Expense	(846)	(46)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	431,309	(113,287)
PLAN FIDUCIARY NET POSITION - BEGINNING	10,122,711	10,554,020
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 10,554,020	10,440,733
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 6,133,878	7,019,170
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	63.24%	59.80%
COVERED PAYROLL	\$ 1,705,262	1,673,538
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	359.70%	419.42%

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

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE GOVERNMENTAL EMPLOYEES PENSION PLAN OF CSA**  
**Last Fiscal Year Ending June 30**

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	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 850,409	\$ 844,232
Contributions in Relation to the Actuarially Determined Contribution	<u>905,956</u>	<u>936,965</u>
Contribution Deficiency (Excess)	<u><u>\$ (55,547)</u></u>	<u><u>\$ (92,733)</u></u>
 Covered Payroll	 \$ 1,705,262	 \$ 1,673,538
Contributions as a Percentage of Covered Payroll	53.13%	55.99%

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

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**GOVERNMENTAL EMPLOYEES PENSION PLAN OF CSA**  
**June 30, 2016**

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**Note to Schedule - Governmental Employees Pension Plan of CSA**

*Valuation date :* Actuarially determined contribution rates for 2016 were calculated based on the October 1, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Entry age normal, frozen initial liability level percentage pay
Amortization Method	Level dollar, closed
Remaining Amortization Period	12 years
Salary Increases	3.00%
Discount Rate	7.00%
Retirement Age	Earlier of age 57 with 30 years or age 65 with 5 years of service
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	None
Termination	Males: Termination Table T-5 from the Actuary's Handbook Females: Termination Table T-5 from the Actuary's Handbook with a five year setback
Overtime	It is assumed that overtime will continue to be earned at 20% of the prior year's level
Cost of Living Adjustments	N/A
Date of Participation Freeze	January 12, 2007
Inflation	1.50%
Asset Valuation	5-year smoothed within a 10% corridor to market value

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT**  
**BENEFITS OTHER THAN PENSIONS**  
**For the Year Ended June 30, 2016**

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, 2015	\$ 2,488,166	\$ 4,414,633	\$ 1,926,467	56.36%	\$ 8,005,147	24.07%
July 1, 2014	-	4,211,434	4,211,434	0.00%	6,179,480	68.00%
July 1, 2012	-	4,153,403	4,153,403	0.00%	6,433,014	65.00%

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, 2015	\$ 1,127,257	\$ 1,540,291	\$ 413,034	73.20%	\$ 2,666,790	15.49%
July 1, 2014	-	1,541,345	1,541,345	0.00%	2,263,143	68.00%
July 1, 2012	-	1,593,123	1,593,123	0.00%	2,060,573	77.00%

See Independent Auditors' Report.

## **SUPPLEMENTAL SECTION**

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Special Revenue Funds				Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Total Capital Project Funds	E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and Cash on Hand	\$ 142,656	3,048	61,307	317,527	-	524,538
Investments	49,675	-	-	-	30,505	80,180
Due from Other Funds	1,083	-	-	-	-	1,083
<b>TOTAL ASSETS</b>	<b>\$ 193,414</b>	<b>3,048</b>	<b>61,307</b>	<b>317,527</b>	<b>30,505</b>	<b>605,801</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ -	-	-	29	-	29
Other Liabilities	17,642	-	-	-	-	17,642
Due to Other Funds	1,103	-	-	-	-	1,103
<b>TOTAL LIABILITIES</b>	<b>18,745</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>18,774</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Bolling Trust	-	-	-	-	25,000	25,000
Restricted for:						
Police Community Relations	-	3,048	-	-	-	3,048
Department of Justice	77,770	-	-	-	-	77,770
Police Drug Enforcement Fund	96,899	-	-	-	-	96,899
Fundraiser	-	-	-	2,253	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	93,847	-	93,847
Bolling Trust	-	-	-	-	5,505	5,505
Committed to:						
Special Capital Projects	-	-	-	6,502	-	6,502
Debt Issue	-	-	-	1,434	-	1,434
Police Technology Fee	-	-	61,307	-	-	61,307
Assigned:						
Linear Path Phase V	-	-	-	210,222	-	210,222
Joe O'Brien Field	-	-	-	3,240	-	3,240
<b>TOTAL FUND BALANCES</b>	<b>174,669</b>	<b>3,048</b>	<b>61,307</b>	<b>317,498</b>	<b>30,505</b>	<b>587,027</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 193,414</b>	<b>3,048</b>	<b>61,307</b>	<b>317,527</b>	<b>30,505</b>	<b>605,801</b>

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**June 30, 2016**

	Capital Project Funds					
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Fund	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	Total Nonmajor Capital Project Funds
ASSETS						
Cash and Cash on Hand	\$ 210,222	5,493	6,502	1,463	93,847	317,527
TOTAL ASSETS	<u>\$ 210,222</u>	<u>5,493</u>	<u>6,502</u>	<u>1,463</u>	<u>93,847</u>	<u>317,527</u>
LIABILITIES						
Accounts Payable	\$ -	-	-	29	-	29
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>29</u>	<u>0</u>	<u>29</u>
FUND BALANCES						
Restricted For:						
Fundraiser	-	2,253	-	-	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	-	93,847	93,847
Committed to:						
Special Capital Projects	-	-	6,502	-	-	6,502
Debt Issue	-	-	-	1,434	-	1,434
Assigned to:						
Linear Path Phase V	210,222	-	-	-	-	210,222
Joe O'Brien Field	-	3,240	-	-	-	3,240
TOTAL FUND BALANCES	<u>210,222</u>	<u>5,493</u>	<u>6,502</u>	<u>1,434</u>	<u>93,847</u>	<u>317,498</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 210,222</u>	<u>5,493</u>	<u>6,502</u>	<u>1,463</u>	<u>93,847</u>	<u>317,527</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, 2016**

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	E. Bolling Memorial Trust Fund	
			Total Capital Project Funds		
REVENUES					
Donations	\$ -	-	7,095	-	7,095
Fines and Forfeitures	52,060	-	-	-	166,692
Interest Earnings	116	3	315	71	568
TOTAL REVENUES	52,176	3	7,410	71	174,355
EXPENDITURES					
General Government	5,461	-	-	-	5,461
Public Safety	16,633	784	85,166	-	102,583
Other Operating Expenditures	-	-	61,750	-	61,750
Capital Outlay	8,197	-	13,940	-	52,151
TOTAL EXPENDITURES	30,291	784	75,690	0	221,945
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,885	(781)	(68,280)	71	(47,590)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	14,000	-	14,000
TOTAL OTHER FINANCING SOURCES (USES)	0	0	14,000	0	14,000
Net Change in Fund Balances	21,885	(781)	(54,280)	71	(33,590)
FUND BALANCES, JULY 1, 2015	152,784	3,829	371,778	30,434	620,617
FUND BALANCES, JUNE 30, 2016	\$ 174,669	3,048	317,498	30,505	587,027

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, 2016**

	Capital Project Funds					
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Funds	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	Total Nonmajor Capital Projects Funds
REVENUES						
Donations	\$ -	-	-	-	7,095	7,095
Interest Earnings	172	5	39	19	80	315
TOTAL REVENUES	172	5	39	19	7,175	7,410
EXPENDITURES						
Other Operating Expenditures	-	-	44,326	9,263	8,161	61,750
Capital Outlay	-	-	-	13,940	-	13,940
TOTAL EXPENDITURES	0	0	44,326	23,203	8,161	75,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	172	5	(44,287)	(23,184)	(986)	(68,280)
OTHER FINANCING SOURCES (USES)						
Transfers In	14,000	-	-	-	-	14,000
TOTAL OTHER FINANCING SOURCES (USES)	14,000	0	0	0	0	14,000
Net Change in Fund Balances	14,172	5	(44,287)	(23,184)	(986)	(54,280)
FUND BALANCES, JULY 1, 2015	196,050	5,488	50,789	24,618	94,833	371,778
FUND BALANCES, JUNE 30, 2016	\$ 210,222	5,493	6,502	1,434	93,847	317,498

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Task Force	\$ 18,300	18,300	2,635	(15,665)
Interest Earnings	80	80	116	36
Drug Fines - Courts	15,000	15,000	14,026	(974)
Fines and Forfeitures	12,000	12,000	35,399	23,399
<b>TOTAL REVENUES</b>	<b>45,380</b>	<b>45,380</b>	<b>52,176</b>	<b>6,796</b>
<b>EXPENDITURES</b>				
General Government	13,420	13,235	5,461	7,774
Insurance	2,000	2,000	-	2,000
Other Contractual Services	-	185	185	-
Vehicle Maintenance and Fuel	16,000	16,500	10,564	5,936
Police Grants	8,500	8,500	5,884	2,616
Capital Outlay	10,460	9,960	8,197	1,763
<b>TOTAL EXPENDITURES</b>	<b>50,380</b>	<b>50,380</b>	<b>30,291</b>	<b>20,089</b>
Net Change in Fund Balance	(5,000)	(5,000)	21,885	26,885
FUND BALANCE, JULY 1, 2015	152,784	152,784	152,784	-
FUND BALANCE, JUNE 30, 2016	<u>\$ 147,784</u>	<u>147,784</u>	<u>174,669</u>	<u>26,885</u>

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 1,000	1,000	-	(1,000)
Interest Earnings	-	-	3	3
TOTAL REVENUES	1,000	1,000	3	(997)
EXPENDITURES				
Public Safety	1,000	1,000	784	216
TOTAL EXPENDITURES	1,000	1,000	784	216
Net Change in Fund Balance	-	-	(781)	(781)
FUND BALANCE, JULY 1, 2015	3,829	3,829	3,829	-
FUND BALANCE, JUNE 30, 2016	\$ 3,829	3,829	3,048	(781)

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Court Fines	\$ 6,700	6,700	4,491	(2,209)
Intergovernmental	7,813	7,813	-	(7,813)
Fines and Forfeitures	118,815	118,815	110,141	(8,674)
Interest Earnings	150	150	63	(87)
TOTAL REVENUES	133,478	133,478	114,695	(18,783)
EXPENDITURES				
Public Safety	93,478	95,478	85,166	10,312
Capital Outlay	40,000	38,000	30,014	7,986
TOTAL EXPENDITURES	133,478	133,478	115,180	18,298
Net Change in Fund Balance	-	-	(485)	(485)
FUND BALANCE, JULY 1, 2015	61,792	61,792	61,792	-
FUND BALANCE, JUNE 30, 2016	\$ 61,792	61,792	61,307	(485)

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 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 362,035	362,035	-	(362,035)
Interest Earnings	-	-	172	172
TOTAL REVENUES	362,035	362,035	172	(361,863)
EXPENDITURES				
Capital Outlay	559,584	559,584	-	559,584
TOTAL EXPENDITURES	559,584	559,584	0	559,584
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,549)	(197,549)	172	197,721
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	14,000	14,000	14,000	-
TOTAL OTHER FINANCING SOURCES (USES)	14,000	14,000	14,000	0
Net Change in Fund Balance	(183,549)	(183,549)	14,172	197,721
FUND BALANCE, JULY 1, 2015	196,050	196,050	196,050	-
FUND BALANCE, JUNE 30, 2016	\$ 12,501	12,501	210,222	197,721

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	\$ 50	50	5	(45)
TOTAL REVENUES	50	50	5	(45)
EXPENDITURES				
Other Expenditures	50	50	-	50
TOTAL EXPENDITURES	50	50	0	50
Net Change in Fund Balance	-	-	5	5
FUND BALANCE, JULY 1, 2015	5,488	5,488	5,488	-
FUND BALANCE, JUNE 30, 2016	\$ 5,488	5,488	5,493	5

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	\$ 25	25	39	14
TOTAL REVENUES	25	25	39	14
EXPENDITURES				
Other Expenditures	50,810	50,810	44,326	6,484
TOTAL EXPENDITURES	50,810	50,810	44,326	6,484
Net Change in Fund Balance	(50,785)	(50,785)	(44,287)	6,498
FUND BALANCE, JULY 1, 2015	50,789	50,789	50,789	-
FUND BALANCE, JUNE 30, 2016	\$ 4	4	6,502	6,498

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	\$ -	-	19	19
TOTAL REVENUES	0	0	19	19
EXPENDITURES				
Other Expenditures	9,263	9,263	9,263	-
Capital Outlay	15,387	15,387	13,940	1,447
TOTAL EXPENDITURES	24,650	24,650	23,203	1,447
Net Change in Fund Balance	(24,650)	(24,650)	(23,184)	1,466
FUND BALANCE, JULY 1, 2015	24,618	24,618	24,618	-
FUND BALANCE, JUNE 30, 2016	\$ (32)	(32)	1,434	1,466

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 Year Ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 800	5,800	7,095	1,295
Interest Earnings	-	-	80	80
TOTAL REVENUES	800	5,800	7,175	1,375
EXPENDITURES				
Other Operating Expenses	5,800	12,400	8,161	4,239
TOTAL EXPENDITURES	5,800	12,400	8,161	4,239
Net Change in Fund Balance	(5,000)	(6,600)	(986)	5,614
FUND BALANCE, JULY 1, 2015	94,833	94,833	94,833	-
FUND BALANCE, JUNE 30, 2016	\$ 89,833	88,233	93,847	5,614

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

CFDA Number	Federal Grantor / Pass-through Grantor / Program Title	Pass-through Entity Identifying Number	Grantor Agency	Balance June 30, 2015	Cash Receipts	Expenditures	Balance June 30, 2016
PRIMARY GOVERNMENT							
GENERAL FUND							
16.000	Appalachian High Intensity Drug Trafficking Area		U.S. Department of Justice	\$ (4,659)	12,154	9,931	(2,436) *
Pass-Through State of Tennessee							
TN State Library and Archives							
45.310	Grants to States / Free Access to Computer Training	Not Available	Institute of Museum and Library Services	-	2,050	2,050	-
TN State Library and Archives							
45.310	Grants to States / LSTA Technology Grant	Not Available	Institute of Museum and Library Services	-	1,000	1,000	-
Total General Fund				(4,659)	15,204	12,981	(2,436)
SPECIAL REVENUE FUND							
16.607	Bullet Proof Vest Grant		U.S. Department of Justice	(2,187)	2,187	-	-
Pass-Through State of Tennessee Department of Transportation							
20.607	Governor's Highway Safety Office - High Visibility	Not Available	U.S. Department of Transportation	(4,997)	4,997	-	-
Total Special Revenue Fund				(7,184)	7,184	0	0

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

CFDA Number	Federal Grantor / Pass-through Grantor / Program Title	Pass-through Entity Identifying Number	Grantor Agency	Balance June 30, 2015	Cash Receipts	Expenditures	Balance June 30, 2016
<b>WATER AND SEWER FUND</b>							
66.468	Pass-Through State of Tennessee State Revolving Loan Fund Project No. DG1 2012-120 Capitalization Grants for Drinking Water - Waterlines in Eastside Community Wastewater Treatment Plant and Collection System Improvements. FS 984272: Loan Forgiveness	FS 984272	Environmental Protection Agency	(30,207)	49,340	19,133	-
66.468	State Revolving Loan Fund Project No. DG1 2012-120 Capitalization Grants for Drinking Water - Waterlines in Eastside Community Wastewater Treatment Plant and Collection System Improvements. FS 984272	FS 984272	Environmental Protection Agency	(72,245)	115,126	42,881	-
66.458	State Revolving Loan Fund Project No. CWSRF 2011-272 - Capitalization Grants for Clean Water SRF Funds Wastewater Treatment Plant and Collection System Improvements. FS 984272	FS 984272	Environmental Protection Agency	(62,395)	62,395	-	-
14.228	Community Development Block Grants / State's Program and Non-entitlement Grants in Hawaii Water System Improvements - CDBG	Not Available	Department of Housing and Urban Development	-	8,250	9,750	(1,500) *
Total Water and Sewer Fund				(164,847)	235,111	71,764	(1,500)
Total Primary Government				\$ (176,690)	257,499	84,745	(3,936)

\* Receivable

\*\* Unused Revenue

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Elizabethton (primary government) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Elizabethton, it is not intended to and does not present the financial position or changes in net assets of the City of Elizabethton.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.

**NOTE 3 – LOAN PROGRAMS**

The loan programs listed subsequently are administered directly by Environmental Protection Agency passed through the State of Tennessee Department of Environment and Conservation, and balances and transactions relating to these programs are included in the City's basic financial statements. The balance of loans outstanding at June 30, 2016, consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2016</u>
66.458	Project No. CWSRF 2011-272- Capitalization Grants for Clean Water SRF Funds Wastewater Treatment Plant and Collection System Improvements	\$ 2,643,442
66.468	Capitalization Grants for Drinking Water - State Revolving Funds	800,483
66.468	Project No. DG1 2012-120 Capitalization Grants for Drinking Water - State Revolving Funds	440,936

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2016**

State Grant Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2015	Cash Receipts	Expenditures	Balance June 30, 2016
PRIMARY GOVERNMENT						
GENERAL FUND						
Project 10CMA1M3003 CMA 1606	Highway Maintenance	TN Department of Transportation	\$ -	69,674	69,674	-
Total General Fund			0	69,674	69,674	0
SANITATION FUND						
32701-02631	Recycling Equipment Grant	TN Department of Environment and Conservation	-	-	23,662	(23,662) *
Total Sanitation Fund			0	0	23,662	(23,662)
WATER AND SEWER FUND						
Project SRF 11-272	State Revolving Loan Fund	TN Department of Environment and Conservation	(40,596)	40,596	-	-
Project DG1 2012-120	State Revolving Loan Fund Loan Forgiveness	TN Department of Environment and Conservation	(7,878)	11,800	3,922	-
Project DG1 2012-120	State Revolving Loan Fund	TN Department of Environment and Conservation	(16,619)	27,533	10,914	-
Total Water and Sewer Fund			(65,093)	79,929	14,836	0
Total Primary Government			\$ (65,093)	149,603	108,172	(23,662)

\* Receivable

\*\* Unused Revenue

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN GENERAL BONDED DEBT AND NOTES PAYABLE -**  
**GOVERNMENTAL ACTIVITIES**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	General Obligation Debt Additions	General Obligation Debt Retired	Balance June 30, 2016
<u>General Bonded Debt</u>				
General Fund:				
General Obligation - Series 2010B	\$ 385,000	-	35,000	350,000
General Obligation - School Bonds, Series 2008	3,800,000	-	370,000	3,430,000
General Obligation - Series 2012	1,065,000	-	350,000	715,000
General Obligation - School Refunding Bonds, Series 2013	5,450,000	-	-	5,450,000
 Total General Bonded Debt	 \$ 10,700,000	 0	 755,000	 9,945,000
 <u>Notes Payable</u>				
General Fund:				
Capital Outlay Note - 2012	\$ 148,528	-	35,961	112,567
Capital Outlay Note - 2013	356,048	-	87,061	268,987
Capital Outlay Note - 2014	394,300	-	131,433	262,867
Capital Outlay Note - 2016	-	177,500	-	177,500
 Total Notes Payable	 \$ 898,876	 177,500	 254,455	 821,921

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION - SERIES 2010B (ANIMAL SHELTER)**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 35,000	11,800	46,800
6/30/2018	35,000	10,750	45,750
6/30/2019	35,000	9,700	44,700
6/30/2020	35,000	8,606	43,606
6/30/2021	40,000	7,469	47,469
6/30/2022	40,000	6,119	46,119
6/30/2023	40,000	4,719	44,719
6/30/2024	45,000	3,319	48,319
6/30/2025	45,000	1,687	46,687
	<u>\$ 350,000</u>	<u>64,169</u>	<u>414,169</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION - SCHOOL BONDS - SERIES 2008**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 385,000	132,615	517,615
6/30/2018	400,000	117,793	517,793
6/30/2019	415,000	101,896	516,896
6/30/2020	430,000	85,100	515,100
6/30/2021	450,000	67,275	517,275
6/30/2022	450,000	48,600	498,600
6/30/2023	450,000	29,475	479,475
6/30/2024	450,000	9,900	459,900
	<u>\$ 3,430,000</u>	<u>592,654</u>	<u>4,022,654</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION SCHOOL IMPROVEMENT AND REFUNDING BONDS - SERIES 2013**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ -	200,625	200,625
6/30/2018	-	200,625	200,625
6/30/2019	-	200,625	200,625
6/30/2020	-	200,625	200,625
6/30/2021	-	200,625	200,625
6/30/2022	20,000	200,325	220,325
6/30/2023	40,000	199,425	239,425
6/30/2024	60,000	197,925	257,925
6/30/2025	530,000	189,075	719,075
6/30/2026	460,000	173,650	633,650
6/30/2027	475,000	157,863	632,863
6/30/2028	490,000	140,975	630,975
6/30/2029	510,000	122,838	632,838
6/30/2030	530,000	103,336	633,336
6/30/2031	550,000	82,400	632,400
6/30/2032	570,000	60,000	630,000
6/30/2033	595,000	36,700	631,700
6/30/2034	620,000	12,400	632,400
	<u>\$ 5,450,000</u>	<u>2,680,037</u>	<u>8,130,037</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN GENERAL BONDED DEBT AND NOTES PAYABLE -**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Debt Additions	Debt Retired	Balance June 30, 2016
<u>Business-Type Activities Bonded Debt</u>				
Water and Sewer Fund:				
Water and Sewer Revenue and Tax Refunding and Improvement Bonds - Series 2002B	\$ 4,772,634	-	430,045	4,342,589
Water and Sewer General Obligation Improvement Bonds - Series 2010B	2,715,000	-	105,000	2,610,000
Water and Sewer General Obligation Improvement Bonds - Series 2010C	1,855,000	-	140,000	1,715,000
Water and Sewer General Obligation Refunding Bonds - Series 2012	885,000	-	110,000	775,000
Total Water and Sewer Bonded Debt	10,227,634	0	785,045	9,442,589
Electric Department Fund:				
Revenue Refunding Bonds - 2005	225,000	-	225,000	-
Revenue Bonds - Series 2007	2,895,000	-	675,000	2,220,000
Revenue Bonds - Series 2010	20,180,000	-	145,000	20,035,000
Revenue Refunding Bonds - Series 2015A	9,280,000	-	110,000	9,170,000
Revenue Refunding Bonds - Series 2015B	1,905,000	-	20,000	1,885,000
Total Electric Department Bonded Debt	34,485,000	0	1,175,000	33,310,000
Total Business-Type Activities Bonded Debt	\$ 44,712,634	0	1,960,045	42,752,589
<u>Business-Type Activities Notes Payable</u>				
Water and Sewer Fund:				
Capital Outlay Note - 2013	\$ 211,880	-	51,752	160,128
Capital Outlay Note - 2013	273,095	-	27,304	245,791
Total Water and Sewer Fund Notes Payable	484,975	0	79,056	405,919
Sanitation Fund:				
Capital Outlay Note - 2012	68,986	-	34,153	34,833
Capital Outlay Note - 2013	128,314	-	42,128	86,186
Total Sanitation Fund Notes Payable	197,300	0	76,281	121,019
Total Business-Type Activities Notes Payable	\$ 682,275	0	155,337	526,938

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER REVENUE AND TAX REFUNDING**  
**AND IMPROVEMENT BONDS - SERIES 2002B**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 405,755	469,245	875,000
6/30/2018	382,462	492,538	875,000
6/30/2019	358,969	516,031	875,000
6/30/2020	337,050	537,950	875,000
6/30/2021	316,680	558,320	875,000
6/30/2022	297,843	577,158	875,001
6/30/2023	306,115	648,885	955,000
6/30/2024	302,525	702,475	1,005,000
6/30/2025	284,525	720,475	1,005,000
6/30/2026	268,686	736,313	1,004,999
6/30/2027	253,682	751,317	1,004,999
6/30/2028	239,471	765,528	1,004,999
6/30/2029	226,004	778,995	1,004,999
6/30/2030	213,845	791,158	1,005,003
6/30/2031	148,977	591,023	740,000
	<u>\$ 4,342,589</u>	<u>9,637,411</u>	<u>13,980,000</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER GENERAL OBLIGATION IMPROVEMENT BONDS - SERIES 2010B**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 115,000	94,944	209,944
6/30/2018	125,000	91,494	216,494
6/30/2019	135,000	87,744	222,744
6/30/2020	145,000	83,525	228,525
6/30/2021	160,000	78,812	238,812
6/30/2022	165,000	73,412	238,412
6/30/2023	120,000	67,638	187,638
6/30/2024	190,000	63,438	253,438
6/30/2025	205,000	56,550	261,550
6/30/2026	220,000	48,862	268,862
6/30/2027	235,000	40,612	275,612
6/30/2028	250,000	31,800	281,800
6/30/2029	265,000	21,800	286,800
6/30/2030	280,000	11,200	291,200
	<u>\$ 2,610,000</u>	<u>851,831</u>	<u>3,461,831</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER GENERAL OBLIGATION IMPROVEMENT BONDS - SERIES 2010C**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 135,000	61,159	196,159
6/30/2018	135,000	57,109	192,109
6/30/2019	130,000	53,058	183,058
6/30/2020	130,000	49,159	179,159
6/30/2021	125,000	45,259	170,259
6/30/2022	125,000	41,040	166,040
6/30/2023	125,000	36,821	161,821
6/30/2024	120,000	32,290	152,290
6/30/2025	120,000	27,940	147,940
6/30/2026	115,000	23,140	138,140
6/30/2027	115,000	18,540	133,540
6/30/2028	115,000	13,940	128,940
6/30/2029	110,000	9,225	119,225
6/30/2030	115,000	4,715	119,715
	<u>\$ 1,715,000</u>	<u>473,395</u>	<u>2,188,395</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER GENERAL OBLIGATION REFUNDING BONDS - SERIES 2012**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 110,000	12,737	122,737
6/30/2018	110,000	11,637	121,637
6/30/2019	110,000	10,263	120,263
6/30/2020	115,000	8,613	123,613
6/30/2021	115,000	6,600	121,600
6/30/2022	115,000	4,300	119,300
6/30/2023	<u>100,000</u>	<u>2,000</u>	<u>102,000</u>
	<u>\$ 775,000</u>	<u>56,150</u>	<u>831,150</u>

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**ELECTRIC DEPARTMENT REVENUE BONDS - SERIES 2010**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 145,000	1,168,906	1,313,906
6/30/2018	155,000	1,163,088	1,318,088
6/30/2019	155,000	1,156,694	1,311,694
6/30/2020	160,000	1,149,800	1,309,800
6/30/2021	160,000	1,142,500	1,302,500
6/30/2022	165,000	1,134,675	1,299,675
6/30/2023	180,000	1,126,050	1,306,050
6/30/2024	495,000	1,108,866	1,603,866
6/30/2025	510,000	1,082,793	1,592,793
6/30/2026	530,000	1,055,163	1,585,163
6/30/2027	545,000	1,025,931	1,570,931
6/30/2028	565,000	995,053	1,560,053
6/30/2029	1,770,000	928,275	2,698,275
6/30/2030	1,840,000	824,487	2,664,487
6/30/2031	1,910,000	716,676	2,626,676
6/30/2032	1,985,000	602,213	2,587,213
6/30/2033	2,060,000	480,863	2,540,863
6/30/2034	2,145,000	352,031	2,497,031
6/30/2035	2,235,000	215,156	2,450,156
6/30/2036	2,325,000	72,656	2,397,656
	<u>\$ 20,035,000</u>	<u>17,501,876</u>	<u>37,536,876</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**ELECTRIC DEPARTMENT REVENUE REFUNDING BONDS - SERIES 2015A**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 100,000	205,250	305,250
6/30/2018	105,000	203,200	308,200
6/30/2019	105,000	201,100	306,100
6/30/2020	900,000	191,050	1,091,050
6/30/2021	920,000	171,700	1,091,700
6/30/2022	940,000	150,775	1,090,775
6/30/2023	960,000	129,400	1,089,400
6/30/2024	980,000	108,800	1,088,800
6/30/2025	1,000,000	89,000	1,089,000
6/30/2026	1,025,000	66,187	1,091,187
6/30/2027	1,055,000	40,187	1,095,187
6/30/2028	1,080,000	13,500	1,093,500
	<u>\$ 9,170,000</u>	<u>1,570,149</u>	<u>10,740,149</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**ELECTRIC DEPARTMENT REVENUE REFUNDING BONDS - SERIES 2015B**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 250,000	43,700	293,700
6/30/2018	255,000	38,650	293,650
6/30/2019	260,000	33,500	293,500
6/30/2020	270,000	28,200	298,200
6/30/2021	275,000	21,375	296,375
6/30/2022	285,000	12,975	297,975
6/30/2023	290,000	4,350	294,350
	<u>\$ 1,885,000</u>	<u>182,750</u>	<u>2,067,750</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF NOTE PAYABLE PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER CAPITAL OUTLAY NOTE - 2013**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 28,106	6,198	34,304
6/30/2018	28,829	5,474	34,303
6/30/2019	29,554	4,749	34,303
6/30/2020	30,297	4,006	34,303
6/30/2021	31,050	3,253	34,303
6/30/2022	31,840	2,463	34,303
6/30/2023	32,640	1,663	34,303
6/30/2024	33,475	842	34,317
	<u>\$ 245,791</u>	<u>28,648</u>	<u>274,439</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**ALL FUNDS - PRIMARY GOVERNMENT**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 2,630,755	2,506,056	5,136,811
6/30/2018	2,682,462	2,454,059	5,136,521
6/30/2019	2,608,969	2,405,186	5,014,155
6/30/2020	2,622,050	2,344,378	4,966,428
6/30/2021	2,561,680	2,299,935	4,861,615
6/30/2022	2,602,843	2,249,379	4,852,222
6/30/2023	2,611,115	2,248,763	4,859,878
6/30/2024	2,642,525	2,227,013	4,869,538
6/30/2025	2,694,525	2,167,520	4,862,045
6/30/2026	2,618,686	2,103,315	4,722,001
6/30/2027	2,678,682	2,034,450	4,713,132
6/30/2028	2,739,471	1,960,796	4,700,267
6/30/2029	2,881,004	1,861,133	4,742,137
6/30/2030	2,978,845	1,734,896	4,713,741
6/30/2031	2,608,977	1,390,099	3,999,076
6/30/2032	2,555,000	662,213	3,217,213
6/30/2033	2,655,000	517,563	3,172,563
6/30/2034	2,765,000	364,431	3,129,431
6/30/2035	2,235,000	215,156	2,450,156
6/30/2036	2,325,000	72,656	2,397,656
	<u>\$ 52,697,589</u>	<u>33,818,997</u>	<u>86,516,586</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS**  
**ALL FUNDS - PRIMARY GOVERNMENT**  
**June 30, 2016**

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<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 473,032	22,685	495,717
6/30/2018	443,393	15,056	458,449
6/30/2019	273,132	8,067	281,199
6/30/2020	30,297	4,006	34,303
6/30/2021	31,050	3,253	34,303
6/30/2022	31,840	2,463	34,303
6/30/2023	32,640	1,663	34,303
6/30/2024	33,475	842	34,317
	<u>\$ 1,348,859</u>	<u>58,035</u>	<u>1,406,894</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF STATE LOAN PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER STATE LOAN - SRF 2011-272**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 119,172	47,640	166,812
6/30/2018	121,380	45,432	166,812
6/30/2019	123,636	43,176	166,812
6/30/2020	125,928	40,884	166,812
6/30/2021	128,268	38,544	166,812
6/30/2022	130,644	36,168	166,812
6/30/2023	133,068	33,744	166,812
6/30/2024	135,540	31,272	166,812
6/30/2025	138,060	28,752	166,812
6/30/2026	140,616	26,196	166,812
6/30/2027	143,220	23,592	166,812
6/30/2028	145,884	20,928	166,812
6/30/2029	148,584	18,228	166,812
6/30/2030	151,344	15,468	166,812
6/30/2031	154,152	12,660	166,812
6/30/2032	157,020	9,792	166,812
6/30/2033	159,936	6,876	166,812
6/30/2034	161,976	4,836	166,812
6/30/2035	125,014	8	125,022
	<u>\$ 2,643,442</u>	<u>484,196</u>	<u>3,127,638</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF STATE LOAN PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER STATE LOAN - DWO 2011-112**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 36,552	15,600	52,152
6/30/2018	37,284	14,868	52,152
6/30/2019	38,040	14,112	52,152
6/30/2020	38,796	13,356	52,152
6/30/2021	39,576	12,576	52,152
6/30/2022	40,380	11,772	52,152
6/30/2023	41,184	10,968	52,152
6/30/2024	42,012	10,140	52,152
6/30/2025	42,852	9,300	52,152
6/30/2026	43,716	8,436	52,152
6/30/2027	44,592	7,560	52,152
6/30/2028	45,492	6,660	52,152
6/30/2029	46,404	5,748	52,152
6/30/2030	47,340	4,812	52,152
6/30/2031	48,288	3,864	52,152
6/30/2032	49,260	2,892	52,152
6/30/2033	50,244	1,908	52,152
6/30/2034	51,252	900	52,152
6/30/2035	17,219	27	17,246
	<u>\$ 800,483</u>	<u>155,499</u>	<u>955,982</u>

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF STATE LOAN PRINCIPAL AND INTEREST REQUIREMENTS**  
**WATER AND SEWER STATE LOAN - DGI 2012-120**  
**June 30, 2016**

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2017	\$ 21,228	3,324	24,552
6/30/2018	21,396	3,156	24,552
6/30/2019	21,564	2,988	24,552
6/30/2020	21,732	2,820	24,552
6/30/2021	21,900	2,652	24,552
6/30/2022	22,068	2,484	24,552
6/30/2023	22,236	2,316	24,552
6/30/2024	22,404	2,148	24,552
6/30/2025	22,584	1,968	24,552
6/30/2026	22,752	1,800	24,552
6/30/2027	22,932	1,620	24,552
6/30/2028	23,112	1,440	24,552
6/30/2029	23,280	1,272	24,552
6/30/2030	23,460	1,092	24,552
6/30/2031	23,652	900	24,552
6/30/2032	23,832	720	24,552
6/30/2033	24,012	540	24,552
6/30/2034	24,204	348	24,552
6/30/2035	24,384	168	24,552
6/30/2036	8,204	27	8,231
	<u>\$ 440,936</u>	<u>33,783</u>	<u>474,719</u>

See Independent Auditors' Report.

**OTHER SUPPLEMENTAL SECTION (UNAUDITED)**

**CITY OF ELIZABETHTON, TENNESSEE**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 10,590,936	11,194,421	4,609,854	4,456,326	4,890,080	4,762,715	5,349,627	10,490,459	10,101,344	10,406,073
Restricted	-	-	-	-	-	-	-	300,848	294,328	486,824
Unrestricted	7,194,201	7,018,313	13,995,100	9,572,482	6,863,855	6,826,501	6,786,541	(2,809,266)	(3,892,241)	(3,202,735)
Total Governmental Activities Net Position	<u>\$ 17,785,137</u>	<u>18,212,734</u>	<u>18,604,954</u>	<u>14,028,808</u>	<u>11,753,935</u>	<u>11,589,216</u>	<u>12,136,168</u>	<u>7,982,041</u>	<u>6,503,431</u>	<u>7,690,162</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 45,625,558	38,582,426	49,348,344	36,573,549	45,788,517	51,968,558	53,717,874	56,386,632	56,937,126	57,110,282
Restricted	-	-	-	-	-	-	-	-	-	790,825
Unrestricted	10,893,732	20,055,574	10,776,548	23,982,437	17,750,477	16,826,224	17,421,952	18,858,714	12,679,142	13,268,207
Total Business-Type Activities Net Position	<u>\$ 56,519,290</u>	<u>58,638,000</u>	<u>60,124,892</u>	<u>60,555,986</u>	<u>63,538,994</u>	<u>68,794,782</u>	<u>71,139,826</u>	<u>75,245,346</u>	<u>69,616,268</u>	<u>71,169,314</u>
Primary Government										
Net Investment in Capital Assets	\$ 56,216,494	49,776,847	53,958,198	41,029,875	50,678,597	56,731,273	59,067,501	66,877,091	67,038,470	67,516,355
Restricted	-	-	-	-	-	-	-	300,848	294,328	1,277,649
Unrestricted	18,087,933	27,073,887	24,771,648	33,554,919	24,614,332	23,652,725	24,208,493	16,049,448	8,786,901	10,065,472
Total Primary Government Net Position	<u>\$ 74,304,427</u>	<u>76,850,734</u>	<u>78,729,846</u>	<u>74,584,794</u>	<u>75,292,929</u>	<u>80,383,998</u>	<u>83,275,994</u>	<u>83,227,387</u>	<u>76,119,699</u>	<u>78,859,476</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>EXPENSES</b>										
Governmental Activities										
General Government	\$ 2,092,175	2,312,896	2,313,294	2,320,021	2,315,622	1,073,396	974,186	905,738	1,107,009	649,464
Public Safety	4,498,229	4,691,754	4,761,540	4,921,251	5,121,019	5,160,505	5,482,963	5,572,648	5,481,940	4,627,952
Public Works	1,710,488	1,709,253	1,975,372	1,892,643	2,096,641	1,804,323	1,958,961	2,334,992	2,091,850	2,319,957
Health and Welfare	133,507	143,386	147,151	147,272	164,820	154,745	187,911	194,258	193,085	174,175
Building Code Enforcement	236,687	267,685	279,931	297,039	300,851	296,729	312,324	305,412	330,889	311,856
Community Development	128,559	150,503	135,716	190,682	189,330	157,973	135,732	137,049	143,365	120,608
Culture and Recreation	1,335,822	1,279,218	1,317,757	1,237,217	1,231,555	1,359,822	1,504,687	1,474,866	1,334,923	1,169,662
Education	2,332,000	2,332,000	2,586,950	7,006,578	4,491,562	2,378,756	2,632,885	7,339,934	2,342,086	2,543,220
Airport	-	-	-	-	-	-	145,000	145,000	145,000	145,000
Golf Course	-	-	-	-	-	-	-	-	50,000	140,000
Other	1,110,518	511,202	575,514	396,513	319,608	753,496	135,227	98,318	118,347	308,422
Contribution to OPEB Trust	-	-	-	-	-	-	-	-	-	1,785,783
Interest on Long-Term Debt	124,408	120,050	228,870	336,470	303,926	290,917	271,676	504,701	390,134	381,245
Total Governmental Activities	<u>13,702,393</u>	<u>13,517,947</u>	<u>14,322,095</u>	<u>18,745,686</u>	<u>16,534,934</u>	<u>13,430,662</u>	<u>13,741,552</u>	<u>19,012,916</u>	<u>13,728,628</u>	<u>14,677,344</u>
Business-Type Activities										
Water and Sewer	6,351,520	6,421,106	6,891,218	6,775,618	7,287,257	7,266,962	8,058,277	8,072,676	7,991,875	8,137,504
Electric Department	41,233,588	44,584,278	51,200,732	48,649,864	55,127,228	48,790,590	50,851,625	52,339,675	53,635,100	50,934,601
Sanitation	737,428	1,101,139	1,110,919	963,492	1,050,289	2,087,820	958,488	1,031,438	959,948	979,652
Total Business-Type Activities	<u>48,322,536</u>	<u>52,106,523</u>	<u>59,202,869</u>	<u>56,388,974</u>	<u>63,464,774</u>	<u>58,145,372</u>	<u>59,868,390</u>	<u>61,443,789</u>	<u>62,586,923</u>	<u>60,051,757</u>
Total Expenses	<u>\$ 62,024,929</u>	<u>65,624,470</u>	<u>73,524,964</u>	<u>75,134,660</u>	<u>79,999,708</u>	<u>71,576,034</u>	<u>73,609,942</u>	<u>80,456,705</u>	<u>76,315,551</u>	<u>74,729,101</u>
<b>PROGRAM REVENUES</b>										
Governmental Activities										
Charges for Services	\$ 1,572,058	1,980,490	2,079,922	1,977,331	2,051,561	1,238,789	1,365,426	1,282,487	1,459,193	1,207,355
Operating Grants and Contributions	180,494	634,089	315,366	60,871	47,830	25,707	43,669	13,616	25,093	12,981
Capital Grants and Contributions	464,532	60,697	93,220	66,147	34,858	289,944	4,778	7,719	7,184	-
Total Governmental Activities	<u>2,217,084</u>	<u>2,675,276</u>	<u>2,488,508</u>	<u>2,104,349</u>	<u>2,134,249</u>	<u>1,554,440</u>	<u>1,413,873</u>	<u>1,303,822</u>	<u>1,491,470</u>	<u>1,220,336</u>
Business-Type Activities										
Charges for Services	50,749,078	53,113,524	59,673,864	56,637,930	65,321,181	62,703,650	65,500,427	66,308,882	65,736,396	62,986,691
Operating Grants and Contributions	257,984	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	56,040	652,044	871,820	613,273	1,019,347	191,821	590,609	50,110	388,608	56,467
Total Business-Type Activities	<u>51,063,102</u>	<u>53,765,568</u>	<u>60,545,684</u>	<u>57,251,203</u>	<u>66,340,528</u>	<u>62,895,471</u>	<u>66,091,036</u>	<u>66,358,992</u>	<u>66,125,004</u>	<u>63,043,158</u>
Total Program Revenues	<u>\$ 53,280,186</u>	<u>56,440,844</u>	<u>63,034,192</u>	<u>59,355,552</u>	<u>68,474,777</u>	<u>64,449,911</u>	<u>67,504,909</u>	<u>67,662,814</u>	<u>67,616,474</u>	<u>64,263,494</u>

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>NET (EXPENSE) REVENUE</b>										
Governmental Activities	\$ (11,485,309)	(10,842,671)	(11,833,587)	(16,641,337)	(14,400,685)	(11,876,222)	(12,327,679)	(17,709,094)	(12,237,158)	(13,457,008)
Business-Type Activities	2,740,566	1,659,045	1,342,815	862,229	2,875,754	4,750,099	6,222,646	4,915,203	3,538,081	2,991,401
<b>Total Net (Expense) Revenue</b>	<b>\$ (8,744,743)</b>	<b>(9,183,626)</b>	<b>(10,490,772)</b>	<b>(15,779,108)</b>	<b>(11,524,931)</b>	<b>(7,126,123)</b>	<b>(6,105,033)</b>	<b>(12,793,891)</b>	<b>(8,699,077)</b>	<b>(10,465,607)</b>
<b>GENERAL REVENUES</b>										
Governmental Activities										
Taxes										
Property Taxes	\$ 3,766,242	4,061,546	3,921,523	3,982,150	4,008,863	4,588,415	4,712,052	4,856,278	4,931,901	4,884,043
Sales Taxes	3,805,354	4,127,085	4,507,121	4,110,095	4,137,126	4,183,559	4,259,793	4,281,604	4,536,823	4,726,734
In-Lieu of Taxes	26,124	36,733	29,903	27,805	29,333	27,741	16,534	18,759	14,316	22,973
Business Taxes	240,944	250,850	259,183	150,884	298,423	385,646	282,820	353,049	234,849	404,244
Other Taxes	-	-	462,971	477,250	480,090	502,388	494,547	515,398	506,017	507,362
Other Local Governments	108,421	93,987	67,687	65,246	322,381	152,092	49,049	44,981	44,010	42,869
State Aid	2,195,451	1,649,418	1,943,782	1,947,533	1,943,661	1,889,311	1,943,199	1,976,468	2,013,214	2,162,699
Federal Aid	418,930	414,820	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings	258,024	232,933	149,530	74,730	25,810	8,426	7,625	9,463	6,306	18,824
Miscellaneous	24,893	35,582	519,837	683,002	408,839	408,657	455,716	648,841	473,139	595,040
Special Item - Donations of Assets	-	-	14,482	-	-	-	-	-	(574,349)	-
Loss on Disposal of Capital Assets	(95,016)	-	-	-	-	-	-	-	(146,148)	(195,955)
Transfers	286,823	367,314	349,788	546,496	471,286	(434,732)	752,416	850,126	1,487,838	1,474,906
<b>Total Governmental Activities</b>	<b>11,036,190</b>	<b>11,270,268</b>	<b>12,225,807</b>	<b>12,065,191</b>	<b>12,125,812</b>	<b>11,711,503</b>	<b>12,973,751</b>	<b>13,554,967</b>	<b>13,527,916</b>	<b>14,643,739</b>
Business-Type Activities										
Unrestricted Investment Earnings	540,614	601,753	493,865	115,361	50,415	70,957	43,168	40,443	46,766	36,551
Miscellaneous	4,879	-	-	-	-	-	-	-	-	-
Transfers	(286,823)	(367,314)	(349,788)	(546,496)	(471,286)	434,732	(752,416)	(850,126)	(1,487,838)	(1,474,906)
<b>Total Business-Type Activities</b>	<b>258,670</b>	<b>234,439</b>	<b>144,077</b>	<b>(431,135)</b>	<b>(420,871)</b>	<b>505,689</b>	<b>(709,248)</b>	<b>(809,683)</b>	<b>(1,441,072)</b>	<b>(1,438,355)</b>
<b>Total Primary Government</b>	<b>\$ 11,294,860</b>	<b>11,504,707</b>	<b>12,369,884</b>	<b>11,634,056</b>	<b>11,704,941</b>	<b>12,217,192</b>	<b>12,264,503</b>	<b>12,745,284</b>	<b>12,086,844</b>	<b>13,205,384</b>
<b>CHANGE IN NET POSITION</b>										
Governmental Activities	\$ (449,119)	427,597	392,220	(4,576,146)	(2,274,873)	(164,719)	646,072	(4,154,127)	1,290,758	1,186,731
Business-Type Activities	2,999,236	1,893,484	1,486,892	431,094	2,454,883	5,255,788	5,513,398	4,105,520	2,097,009	1,553,046
<b>Total Change in Net Position</b>	<b>\$ 2,550,117</b>	<b>2,321,081</b>	<b>1,879,112</b>	<b>(4,145,052)</b>	<b>180,010</b>	<b>5,091,069</b>	<b>6,159,470</b>	<b>(48,607)</b>	<b>3,387,767</b>	<b>2,739,777</b>

See Independent Auditors' Report.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ -	-	-	-	187,398	161,312	148,751	19,062	27,007	31,988
Restricted	-	-	-	-	330,378	395,853	313,632	49,131	35,195	35,195
Committed	-	-	-	-	1,629,890	4,265,560	3,918,887	4,185,203	4,403,144	2,703,234
Assigned	-	-	-	-	381,351	211,446	210,365	629,514	464,176	516,533
Unassigned	-	-	-	-	4,132,802	2,107,524	2,598,583	2,892,356	3,925,984	4,078,006
Designated	4,085,787	3,651,625	11,171,656	7,289,320	-	-	-	-	-	-
Unreserved	1,646,915	2,201,376	1,741,002	1,536,347	-	-	-	-	-	-
Total General Fund	<u>\$ 5,732,702</u>	<u>5,853,001</u>	<u>12,912,658</u>	<u>8,825,667</u>	<u>6,661,819</u>	<u>7,141,695</u>	<u>7,190,218</u>	<u>7,775,266</u>	<u>8,855,506</u>	<u>7,364,956</u>
All Other Governmental Funds										
Nonspendable	\$ -	-	-	-	25,000	25,000	25,000	25,000	25,000	25,000
Restricted	-	-	-	-	327,278	185,427	184,460	251,717	259,133	279,322
Committed	-	-	-	-	397,264	337,122	191,475	133,655	137,199	69,243
Assigned	-	-	-	-	235	3,230	196,239	205,027	199,285	213,462
Unreserved, Reported in:										
Special Revenue Funds	128,398	199,524	374,442	400,433	-	-	-	-	-	-
Capital Projects Funds	974,305	916,396	915,604	767,017	-	-	-	-	-	-
Permanent Fund	28,465	29,652	30,133	30,240	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,131,168</u>	<u>1,145,572</u>	<u>1,320,179</u>	<u>1,197,690</u>	<u>749,777</u>	<u>550,779</u>	<u>597,174</u>	<u>615,399</u>	<u>620,617</u>	<u>587,027</u>

Beginning in the Fiscal Year 2011, the presentation of fund balance was changed to conform with GASB 54.

See Independent Auditors' Report.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Taxes	\$ 7,868,022	8,429,613	9,130,476	8,709,195	8,868,012	9,842,326	9,778,235	10,009,980	10,273,837	10,456,895
Licenses and Permits	97,991	95,095	130,030	96,781	84,244	96,193	204,503	212,619	222,913	244,919
Intergovernmental	2,045,305	2,192,700	2,052,531	2,039,177	2,281,042	2,344,577	2,027,870	2,037,174	2,082,628	2,218,549
Charges for Services	2,125,682	2,433,889	2,405,205	2,460,199	2,438,111	1,583,026	1,563,774	1,430,175	1,550,984	1,876,644
Donations	140,796	141,807	14,482	34,473	32,830	12,477	12,825	5,610	6,873	-
Grant Income	702,489	134,028	367,524	66,147	34,858	-	-	-	-	-
Fines and Forfeitures	273,425	260,435	444,687	320,351	329,206	359,570	397,149	432,391	387,584	374,380
Miscellaneous	552,244	487,078	519,837	694,911	441,088	445,973	455,716	648,841	473,139	595,040
Interest Earnings	301,217	233,457	149,530	74,730	25,810	8,426	7,625	9,463	6,306	18,824
<b>TOTAL REVENUES</b>	<b>14,107,171</b>	<b>14,408,102</b>	<b>15,214,302</b>	<b>14,495,964</b>	<b>14,535,201</b>	<b>14,692,568</b>	<b>14,447,697</b>	<b>14,786,253</b>	<b>15,004,264</b>	<b>15,785,251</b>
<b>EXPENDITURES</b>										
General Government	2,859,524	3,086,714	3,030,589	3,060,510	2,993,468	1,757,135	1,650,057	1,566,938	1,720,352	2,166,694
Public Safety	4,294,937	4,493,299	4,456,234	4,627,091	4,835,792	4,856,945	5,117,045	5,197,167	5,325,929	5,448,627
Public Works	1,363,400	1,355,854	1,570,336	1,492,740	1,730,028	1,506,961	1,675,184	2,011,900	1,836,272	2,213,594
Health and Welfare	132,641	142,785	145,815	146,388	163,984	153,858	187,027	193,322	192,202	173,292
Building Code Enforcement	236,743	268,427	278,497	297,039	300,851	296,729	312,324	305,412	330,889	311,856
Community Development	128,608	151,174	134,677	190,682	189,330	157,973	135,732	137,049	143,365	120,608
Culture and Recreation	1,238,513	1,174,843	1,178,826	1,173,744	1,211,861	1,227,366	1,346,643	1,192,119	1,222,948	1,314,911
Golf Course	-	-	-	-	-	-	-	121,589	50,000	140,000
Education	2,332,000	2,332,000	2,586,950	7,006,578	4,491,562	2,378,756	2,632,885	7,339,934	2,342,086	2,543,220
Airport	-	-	-	-	-	-	145,000	145,000	145,000	145,000
Special Appropriations	197,632	285,114	202,146	202,146	198,330	187,080	107,170	91,572	111,572	246,672
Debt Service:										
Principal	679,542	717,844	736,583	785,489	769,570	803,834	2,987,570	874,485	866,010	1,009,454
Interest	127,822	117,289	141,732	329,227	346,423	320,354	244,168	302,493	396,780	384,160
Paying Agent Fees	-	1,383	133,485	3,539	690	3,140	39,930	105,805	2,346	5,498
Lease Payments	-	-	-	51,215	-	-	-	-	-	-
Contributions to OPEB Trust	-	-	-	-	-	-	-	-	-	1,785,783
Other Operating Expenditures	912,888	232,927	373,368	194,367	121,278	566,416	28,057	6,746	6,775	61,750
Capital Outlay	1,128,103	281,060	110,588	1,540,221	265,081	880,923	649,898	999,099	1,034,665	890,678
<b>TOTAL EXPENDITURES</b>	<b>15,632,353</b>	<b>14,640,713</b>	<b>15,079,826</b>	<b>21,100,976</b>	<b>17,618,248</b>	<b>15,097,470</b>	<b>17,258,690</b>	<b>20,590,630</b>	<b>15,727,191</b>	<b>18,961,797</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,525,182)</u>	<u>(232,611)</u>	<u>134,476</u>	<u>(6,605,012)</u>	<u>(3,083,047)</u>	<u>(404,902)</u>	<u>(2,810,993)</u>	<u>(5,804,377)</u>	<u>(722,927)</u>	<u>(3,176,546)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Capital Outlay Note Proceeds	1,250,000	-	-	1,200,000	-	252,000	-	441,838	394,300	177,500
Bond Proceeds	-	-	6,750,000	505,000	-	-	2,153,495	5,450,000	-	-
Capital Lease	-	-	-	144,036	-	-	-	-	-	-
Premium on Refunding Bonds Issued	-	-	-	-	-	-	-	40,253	-	-
Payment to Refunded Bond Escrow	-	-	-	-	-	-	-	(374,567)	-	-
Transfers In	1,364,173	929,314	943,288	1,417,455	971,269	995,246	1,214,321	1,122,035	1,507,115	1,488,906
Transfers Out	<u>(1,077,350)</u>	<u>(562,000)</u>	<u>(593,500)</u>	<u>(870,959)</u>	<u>(499,983)</u>	<u>(561,466)</u>	<u>(461,905)</u>	<u>(271,909)</u>	<u>(19,277)</u>	<u>(14,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,536,823</b>	<b>367,314</b>	<b>7,099,788</b>	<b>2,395,532</b>	<b>471,286</b>	<b>685,780</b>	<b>2,905,911</b>	<b>6,407,650</b>	<b>1,882,138</b>	<b>1,652,406</b>
<b>Net Change in Fund Balances</b>	<b>\$ 11,641</b>	<b>134,703</b>	<b>7,234,264</b>	<b>(4,209,480)</b>	<b>(2,611,761)</b>	<b>280,878</b>	<b>94,918</b>	<b>603,273</b>	<b>1,159,211</b>	<b>(1,524,140)</b>
Debt Service as a Percentage of Noncapital Expenditures	5.57%	5.82%	5.87%	5.70%	6.43%	7.91%	19.46%	6.01%	8.59%	7.71%

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**  
**June 30, 2016**

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2015</u>	<u>Property Tax Levied</u>	<u>Anticipated Current Year Levy</u>	<u>Collections</u>	<u>Abatements and Adjustments</u>	<u>Property Tax Receivable at June 30, 2016</u>
2016	\$ -	-	4,825,778	-	-	4,825,778
2015	-	4,859,528	-	(4,518,359)	(62,642)	278,527
2014	227,457	-	-	(164,014)	(8,346)	55,097
2013	56,633	-	-	(25,511)	(1,628)	29,494
2012	25,581	-	-	(12,626)	(102)	12,853
2011	19,704	-	-	(12,168)	(80)	7,456
2010	13,139	-	-	(6,908)	(74)	6,157
2009	4,179	-	-	(735)	(62)	3,382
2008	4,876	-	-	(508)	(139)	4,229
2007	9,268	-	-	-	-	9,268
2006	4,384	-	-	-	-	4,384
2005	2,936	-	-	-	-	2,936
Total	<u>\$ 368,157</u>	<u>4,859,528</u>	<u>4,825,778</u>	<u>(4,740,829)</u>	<u>(73,073)</u>	<u>5,239,561</u>

As of October 1, 2016, 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**  
**PROPERTY TAX RATES AND ASSESSMENTS**  
**Last Ten Fiscal Years**

Tax Year	Total		Ratio of Assessed To Actual Value	Tax Rate
	Assessed	Estimated Value		
2015	\$ 263,351,576	866,721,092	30%	1.80
2014	262,250,006	862,777,585	30%	1.82
2013	260,379,895	857,151,926	30%	1.82
2012	253,660,813	838,755,716	30%	1.78
2011	254,482,827	825,701,897	31%	1.78
2010	217,675,911	731,318,801	30%	1.78
2009	216,894,208	727,791,154	30%	1.78
2008	214,686,906	721,095,965	30%	1.78
2007	214,682,578	712,259,053	30%	1.78
2006	213,164,327	706,899,099	30%	1.78

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2016**

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	Fiscal Year 2016
Total Assessed Property	<u>\$ 263,351,576</u>
Legal Debt Limit - 10% of Assessed Value	26,335,158
General Obligation Debt	<u>(15,045,000)</u>
Margin for Additional Borrowing	<u>\$ 11,290,158</u>

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 Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Bonded Debt	\$ 1,215,000	685,000	6,890,000	6,805,000	6,355,000	5,875,000	7,175,000	11,445,000	10,700,000	15,045,000
Assessed Valuation	\$ 213,164,327	214,682,578	214,686,906	216,894,208	217,675,911	254,482,827	253,660,813	260,379,895	262,250,006	263,351,576
Ratio of General Bonded Debt to Assessed Value	0.57%	0.32%	3.21%	3.14%	2.92%	2.31%	2.83%	4.40%	4.08%	5.71%
Bonded Debt per Capita Based on Census	\$ 14,017	14,017	14,017	14,176	14,176	14,176	14,176	14,176	14,176	14,176
Bonded Debt per Capita	\$ 87	49	492	480	448	414	506	807	755	1,061

Note: The 2010 Census resulted in an increase of 159.

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**TAX RATES AND ASSESSMENTS**  
**Last Ten Years**

<u>Fund</u>	Tax Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund	\$ 1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.82	1.82	1.80
<u>Assessed Valuation</u>										
Real and Personal	\$ 213,075,562	214,594,913	214,599,241	216,807,173	217,582,031	254,388,581	253,568,595	260,290,014	262,162,119	263,265,125
Public Utility	88,765	87,665	87,665	87,035	93,880	94,246	92,218	89,881	87,887	86,451
Total Assessed Valuation	\$ 213,164,327	214,682,578	214,686,906	216,894,208	217,675,911	254,482,827	253,660,813	260,379,895	262,250,006	263,351,576

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**UTILITY RATES FOR WATER AND SEWER, NUMBER OF CUSTOMERS**  
**June 30, 2016**

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	<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    \$ 17.45	Minimum    \$24.34
Above 1,000 to 500,000 gallons	4.17	7.35
Above 500,000 to 1,000,000 gallons	2.67	4.61
Above 1,000,000 gallons	2.57	4.32
<u>Wholesale Rates for Water for Utility Districts</u>		
1,000 gallons to above 1,000,000 gallons		2.65/m
<u>Sewer Rates for Residential, Industrial and Commercial</u>		
Base Rate	14.66	18.77
Cost per 1,000 gallons up to 9,000 gallons	3.14	5.88
Cost per 1,000 gallons over 9,000 gallons	3.14	4.28
<u>Number of Customers</u>		
Water (Inside and Outside)	5,505	
Sewer (Inside and Outside)	5,542	

See Independent Auditors' Report.



## AWWA Free Water Audit Software: Reporting Worksheet

?	Click to access definition
+	Click to add a comment

Water Audit Report for: **City of Elizabethton (0000221)**  
Reporting Year: **2016** **7/2015 - 6/2016**

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

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

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

Master Meter and Supply Error Adjustments

### WATER SUPPLIED

Volume from own sources:  8  1,588.265 MG/Yr  4  0.00%  0.000 MG/Yr  
Water imported:  8  106.582 MG/Yr  8  0.00%  0.000 MG/Yr  
Water exported:  n/a  MG/Yr  n/a  -2.00%  MG/Yr

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

**WATER SUPPLIED:**  1,694.847 MG/Yr

### AUTHORIZED CONSUMPTION

Billed metered:  7  693.592 MG/Yr  
Billed unmetered:  n/a  MG/Yr  
Unbilled metered:  9  10.638 MG/Yr  
Unbilled unmetered:  9  7.453 MG/Yr

**AUTHORIZED CONSUMPTION:**  711.683 MG/Yr

### WATER LOSSES (Water Supplied - Authorized Consumption)

983.164 MG/Yr

#### Apparent Losses

Unauthorized consumption:  4.237 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:  7  10.724 MG/Yr  
Systematic data handling errors:  6  5.080 MG/Yr

**Apparent Losses:**  20.041 MG/Yr

#### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:  963.123 MG/Yr

**WATER LOSSES:**  983.164 MG/Yr

### NON-REVENUE WATER

**NON-REVENUE WATER:**  1,001.255 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

### SYSTEM DATA

Length of mains:  4  330.0 miles  
Number of active AND inactive service connections:  8  12,434  
Service connection density:  38 conn./mile main

Are customer meters typically located at the curbside or property line?  Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line:  10 0.0 ft

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:  6  90.0 psi

### COST DATA

Total annual cost of operating water system:  10  \$4,868,610 \$/Year  
Customer retail unit cost (applied to Apparent Losses):  9  \$8.15 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):  9  \$599.64 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

### WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 79 out of 100 \*\*\*

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

### PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Billed metered

3: Unauthorized consumption

(Continued)



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

WAS v5.0

American Water Works Association.  
Copyright © 2014. All Rights Reserved.Water Audit Report for: **City of Elizabethton (0000221)**Reporting Year: **2016** **7/2015 - 6/2016****\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 \*\*\***

## System Attributes:

Apparent Losses:	<b>20.041</b>	MG/Yr
+ Real Losses:	<b>963.123</b>	MG/Yr
= <b>Water Losses:</b>	<b>983.164</b>	MG/Yr

**? Unavoidable Annual Real Losses (UARL):** **119.92** MG/YrAnnual cost of Apparent Losses: **\$163,338**Annual cost of Real Losses: **\$577,527** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

## Performance Indicators:

### Financial:

Non-revenue water as percent by volume of Water Supplied: **59.1%**Non-revenue water as percent by cost of operating system: **15.4%** Real Losses valued at Variable Production Cost

### Operational Efficiency:

Apparent Losses per service connection per day: **4.42** gallons/connection/dayReal Losses per service connection per day: **212.22** gallons/connection/dayReal Losses per length of main per day\*: **N/A**Real Losses per service connection per day per psi pressure: **2.36** gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): **963.12** million gallons/year**? Infrastructure Leakage Index (ILI) [CARL/UARL]:** **8.03**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**CURRENT UTILITY RATES AND NUMBER OF CUSTOMERS**  
**June 30, 2016**

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<u>Residential Rate Schedule</u>	<u>RS</u>
Customer Charge -	
per delivery point per month	\$13.29
Energy Charge - per kWh per month	\$0.09598
<u>General Power Rate Schedule</u>	<u>GSA</u>
	(Demand 0- 5,000 kW)
<i>Part 1.</i>	
Customer Charge	
Per delivery point per month	\$14.46
Energy Charge - per kWh per month	\$0.10517
Per kWh up to 620 hours per month	\$0.00
Per kWh all additional per month	\$0.00
Demand Charge - per kW per month	
Excess of billing demand over contract demand - per kW per month	\$0.00
<i>Part 2.</i>	
Customer Charge	
Per delivery point per month	\$55.00
Demand Charge - per kW per month	
First 50 kW	\$0.00
Excess over 50kW per month	\$13.29
Energy charge - per kWh per month	
First 15,000 kWh	\$0.10498
Additional kWh per month	\$0.06205
<i>Part 3.</i>	
Customer Charge	
Per delivery point per month	\$150.00
Demand Charge - per kW per month	
First 1,000 kW	\$14.04
Excess over 1,000 kW	\$15.49
Energy Charge - per kWh per month	\$0.06202
<u>Outdoor Lighting Rate Schedule</u>	<u>LS</u>
Customer Charges	
Per delivery point per month	\$3.70
Energy Charge - per kWh	\$0.06467
<u>Number of Customers</u>	
Residential	22,990
General	3,168
Street, Athletic and Outdoor Lighting	233
Total Customers	<u>26,391</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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2016. Our report includes a reference to other auditors who audited the financial statements of the Elizabethton Municipal Airport, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


City of Elizabethton, Tennessee  
Independent Auditors' Report on Internal  
Control over Financial Reporting and on Compliance  
and Other Matters

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 14, 2016

**CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2016**

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**SECTION I – FINDINGS – FINANCIAL STATEMENT AUDIT**

None Reported.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2016**

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**Financial Statement Findings**

There were no prior findings reported.