



CITY OF ELIZABETHTON, TENNESSEE

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

CITY OF ELIZABETHTON, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

CITY OF ELIZABETHTON, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2019

Elected Officials

Mayor	Curt Alexander
Mayor Pro-Tem	William E. "Bill" Carter
Councilman	Kim Birchfield
Councilman	Wes Frazier
Councilman	Michael G. Simerly
Councilman	Richard M. Barker
Councilman	Jeffrey C. Treadway

Appointed Officials

City Manager	Daniel Estes
Assistant Director of Finance as of June 30, 2019	Nikki Nidiffer, 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, 2019, 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), a discretely presented component unit of the City, which represents thirty-two percent, forty percent, and five 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, 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 144 through 157 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 the 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, supplemental section, and other supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental section is the responsibility of management and was derived from and relates 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 supplemental section is fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Elizabethton, Tennessee
Independent Auditors' Report

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 13, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 13, 2019

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019.

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 fiscal year by **\$89,708,932** (*net position*). Of this amount, **\$67,879,976** is net investment in capital assets.
- The City's total net position increased by **\$3,535,363**.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$8,078,192**. Of this amount, **\$45,416** is Nonspendable, **\$383,381** is Restricted, **\$3,939,348** is Committed, **\$320,514** is Assigned and **\$3,389,533** is Unassigned Fund Balance.
- At the end of the current fiscal year, fund balance for the general fund was **\$6,446,810** or **36.7%** of total general fund expenditures including transfers out. This balance included **\$20,416 Nonspendable, \$35,195 Restricted, \$2,931,201 Committed, \$70,465 Assigned and \$3,389,533 Unassigned Fund Balance**.
- The City's total debt decreased by **\$3,092,998 (5.5%)** during the current fiscal year, excluding the 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 in addition to the basic financial statements, supplementary and other supplementary information.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, etc.).

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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 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 a fiduciary fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and non-major governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 16 through 33 of this report.

The City adopts an annual appropriation budget for its general and other major 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 department, golf course and sanitation. The basic proprietary fund financial statements can be found on pages 34 through 38 of this report.

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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 39 through 40 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 41 through 143 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 158 through 169 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 **\$89,708,932** at the close of the most recent year. By far, the largest portion of the City's net position (**75.66%**) 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.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current Assets	\$ 13,829,374	15,973,861	37,715,496	35,996,189	51,544,870	51,970,050
Other Assets	-	-	662,530	914,388	662,530	914,388
Plant and Equipment (Net)	14,481,782	12,257,082	99,754,363	101,941,031	114,236,145	114,198,113
Net Pension Asset	23,346	-	16,691	-	40,037	-
Net OPEB Asset	77,719	27,920	700,822	566,879	778,541	594,799
Total Assets	28,412,221	28,258,863	138,849,902	139,418,487	167,262,123	167,677,350
Deferred Outflows of Resources:						
Deferred Bond Refunding Costs	109,893	116,113	655,532	748,798	765,425	864,911
Deferred Outflows Related to OPEB	30,173	91,235	29,782	67,375	59,955	158,610
Deferred Outflows Related to Pensions	1,190,075	1,288,824	2,336,715	2,249,690	3,526,790	3,538,514
Total Deferred Outflow of Resources	1,330,141	1,496,172	3,022,029	3,065,863	4,352,170	4,562,035
Liabilities:						
Current Liabilities	673,880	795,105	12,682,673	12,122,353	13,356,553	12,917,458
Long-Term Liabilities						
Due Within One Year	1,075,503	1,239,865	2,681,034	2,694,511	3,756,537	3,934,376
Due Within More Than One Year	12,014,800	13,288,739	45,844,940	49,418,326	57,859,740	62,707,065
Total Liabilities	13,764,183	15,323,709	61,208,647	64,235,190	74,972,830	79,558,899
Deferred Inflows of Resources:						
Deferred Revenues - Property Tax	4,938,131	4,925,121	-	-	4,938,131	4,925,121
Deferred Inflows Related to OPEB	113,751	170,382	289,140	265,486	402,891	435,868
Deferred Inflows Related to Pensions	605,013	226,859	986,496	873,033	1,591,509	1,099,892
Total Deferred Inflow of Resources	5,656,895	5,322,362	1,275,636	1,138,519	6,932,531	6,460,881
Net Position:						
Net Investment in Capital Assets	8,872,749	6,497,783	59,007,227	58,737,527	67,879,976	65,235,310
Restricted	484,446	386,253	717,513	567,754	1,201,959	954,007
Unrestricted	964,089	2,224,928	19,662,908	17,805,360	20,626,997	20,030,288
Total Net Position	\$ 10,321,284	9,108,964	79,387,648	77,110,641	89,708,932	86,219,605

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The government's net position **increased \$3,535,363** during the current year. Of the total change, governmental activities increased **\$1,212,320** while business-type activities increased **\$2,323,043**.

The following is a summary of financial activities for the City during the 2019 year:

City of Elizabethton CHANGE IN NET POSITION As of June 30, 2019						
	Governmental Activities		Business-Type Activities		Total	
<u>Revenues</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program Revenues:						
Charges for Services	\$ 2,207,350	1,756,386	67,138,752	68,252,128	69,346,102	70,008,514
Operating Grants	119,584	59,054	-	-	119,584	59,054
Capital Grants	-	1,558	41,348	203,697	41,348	205,255
Total Program Revenues	2,326,934	1,816,998	67,180,100	68,455,825	69,507,034	70,272,823
General Revenues:						
Property Taxes	4,933,460	4,906,055	-	-	4,933,460	4,906,055
Other Taxes	5,790,185	5,641,758	-	-	5,790,185	5,641,758
Miscellaneous	2,506,941	2,879,296	537,804	216,328	3,044,745	3,095,624
Total General Revenues	13,230,586	13,427,109	537,804	216,328	13,768,390	13,643,437
Total Revenues	15,557,520	15,244,107	67,717,904	68,672,153	83,275,424	83,916,260
<u>Expenses - Governmental Activities</u>						
General Government	1,632,496	1,378,970	-	-	1,632,496	1,378,970
Public Safety	5,992,311	4,855,167	-	-	5,992,311	4,855,167
Public Works	2,512,212	2,696,303	-	-	2,512,212	2,696,303
Health and Welfare	189,515	177,135	-	-	189,515	177,135
Building Code Enforcement	293,754	300,369	-	-	293,754	300,369
Community Development	139,292	134,556	-	-	139,292	134,556
Culture and Recreation	1,784,948	1,359,078	-	-	1,784,948	1,359,078
Education	2,728,086	2,494,735	-	-	2,728,086	2,494,735
Airport	145,000	145,000	-	-	145,000	145,000
Golf Course	-	25,000	-	-	-	25,000
Other	336,060	285,553	-	-	336,060	285,553
Contribution to OPEB Trust	20,000	100,000	-	-	20,000	100,000
Interest on Long-Term Debt	307,427	361,492	-	-	307,427	361,492
Total Governmental Activities	16,081,101	14,313,358	0	0	16,081,101	14,313,358
<u>Business-Type Activities:</u>						
Water and Sewer	-	-	8,515,379	7,906,475	8,515,379	7,906,475
Electric Department	-	-	54,068,156	53,651,829	54,068,156	53,651,829
Sanitation	-	-	1,075,425	1,014,046	1,075,425	1,014,046
Golf Course	-	-	-	256,177	-	256,177
Total Business-Type Activities	0	0	63,658,960	62,828,527	63,658,960	62,828,527
Total Expenses	16,081,101	14,313,358	63,658,960	62,828,527	79,740,061	77,141,885
Transfers	1,355,772	1,279,279	(1,355,772)	(1,279,279)	-	-
Transfer - Golf Course Operations	380,129	-	(380,129)	398,872	-	398,872
Change in Net Position	1,212,320	2,210,028	2,323,043	4,963,219	3,535,363	7,173,247
Net Positon, Beginning	9,108,964	8,638,927	77,110,641	72,974,744	86,219,605	81,613,671
Prior Period Restatement	-	(1,739,991)	(46,036)	(827,322)	(46,036)	(2,567,313)
Net Positon, Beginning (Restated)	9,108,964	6,898,936	77,064,605	72,147,422	86,173,569	79,046,358
Net Position, Ending	\$ 10,321,284	9,108,964	79,387,648	77,110,641	89,708,932	86,219,605

Governmental activities increased the City's net position by **\$1,212,320**. A reconciliation of this increase can be found on page 19 of this report. Business-type activities increased the City's net position by **\$2,323,043**.

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, 2019

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 fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$8,078,192**. Of this amount, **\$45,416** is Nonspendable, **\$383,381** is Restricted, **\$3,939,348** is Committed, **\$320,514** is Assigned, and **\$3,389,533** is Unassigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached **\$6,446,810**, including **\$20,416** Nonspendable, **\$35,195** Restricted, **\$2,931,201** Committed, **\$70,465** Assigned and **\$3,389,533** 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 **19.3%** of total general fund expenditures and transfers out, while total fund balance represents **36.7%** of that same amount.

Non-major (other) governmental funds have a fund balance of **\$1,631,382**. The net **decrease** in fund balance during the current year was **\$1,806,185**.

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 **\$19,662,908**. 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:

\$ 275,000	Funding to the City School System for new Bartleby Program and other projects
\$ 102,643	Library roof and downtown bathroom signs
\$ 30,000	Sidewalk replacement
\$ 170,000	Funding to Golf Course
\$ 40,364	Renovations to TN Vocational Rehabilitation Building
\$ 45,000	Snap On Project
\$ 7,500	Fence around maintenance building

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, 2019.

**CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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

General Government	Expenses	Revenues	2019	Capital Grants and Contributions	General Fund Subsidy
			Operating Grants and Contributions		
General Government	\$ 1,632,496	1,791,087	52,317	-	(210,908)
Public Safety	5,992,311	330,399	21,175	-	5,640,737
Public Works	2,512,212	-	35,563	-	2,476,649
Community Development	139,292	-	-	-	139,292
Health and Welfare	189,515	-	-	-	189,515
Culture and Recreation	1,784,948	85,864	10,529	-	1,688,555
Total General Fund Subsidy					9,923,840

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, 2019, amounts to **\$114,236,145** (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, transmission and power distribution system, garbage containers, infrastructure and construction in progress.

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

Ford F-250 Superduty (5) Nissan Frontier, Kenworth T370 Dump Truck
Ford F-650 Dump Truck, Subsite TK Recon 2 Tracker, Control Panel at Big
Springs, Mueller Drilling/Tapping Machine, PLC Equipment - Water Department
Replacement of Locust, East B, Willow, Snowbird, Watauga, Jim Buck,
East Second Street, N. Main Street Water Lines
(3) Ford Explorer, HVAC, Roof Renovations - Police Department
(2) Gearbox, (2) Control Panel, Maxi Rotor End Bearing and Fasteners,
PLC Equipment, Mini Push Camera - Sewer/Waste Water Department
Kenworth T800 Garbage Truck - Sanitation
CLE Advanced Pole Camera - Drug Fund
New Roof - Bonnie Kate
Handicap Ramp, Partial Roof Replacement - Library Department
Handicap Ramps, Sidewalks, Guardrails, Scarrifer, John Deere Mower,
Salt Spreader - Street Department
Sports Lighting, Backflow Preventer, Gym Lights at Boys & Girls Club, Twins
Visitors Clubhouse - Park & Rec Department
Air packs - Fire Department
Wavetronix Radar Matrix, (7) Econolite Cobalt Controllers - Engineering Depart
City Hall Parking Lot and Sidewalk - General
Greens Roller, (2) Greens Mower, (2) John Deere Turf Gator, John Deere Bunker Rake,
Clubhouse Renovations - Golf

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

City of Elizabethton
Total Net Capital Assets
as of June 30, 2019

	Governmental Activities		Business - Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Net Capital Assets						
Land	\$ 1,943,594	1,943,594	1,651,868	1,651,868	3,595,462	3,595,462
Water Right	-	-	3,354,167	3,604,167	3,354,167	3,604,167
Library Infrastructure	428,853	428,853	-	-	428,853	428,853
Construction in Progress	1,946,884	432,527	500,944	446,181	2,447,828	878,708
Buildings and Improvements	3,905,644	3,417,208	10,642,865	11,283,075	14,548,509	14,700,283
Motor Equipment	1,132,944	1,323,789	7,658,563	7,148,746	8,791,507	8,472,535
Office Equipment	1,218,063	1,220,151	1,300,340	1,405,728	2,518,403	2,625,879
Infrastructure	3,905,800	3,490,960	74,645,616	76,401,265	78,551,416	79,892,225
Total Net Capital Assets	<u>\$ 14,481,782</u>	<u>12,257,082</u>	<u>99,754,363</u>	<u>101,941,030</u>	<u>114,236,145</u>	<u>114,198,112</u>

Additional information on the City's capital assets can be found in Note 6 on pages 66 through 68 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding (excluding the net pension liability) of **\$53,508,671**. All of this debt is backed by the full faith and credit of the government.

City of Elizabethton
Debt Outstanding
As of June 30, 2019

	Governmental Activities		Business - Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>Outstanding Debt</u>						
General Obligation	\$ 10,708,993	11,551,016	-	-	10,708,993	11,551,016
Notes Payable	450,800	189,396	3,825,348	4,168,654	4,276,148	4,358,050
Revenue Bonds	-	-	37,577,320	39,757,848	37,577,320	39,757,848
Capital Lease	9,133	-	-	-	9,133	-
Compensated Absences	463,074	448,717	474,003	486,038	937,077	934,755
Total Outstanding Debt	<u>\$ 11,632,000</u>	<u>12,189,129</u>	<u>41,876,671</u>	<u>44,412,540</u>	<u>53,508,671</u>	<u>56,601,669</u>

The City's total debt, excluding the net pension liability, decreased **\$3,092,998 (5.5%)** during the current fiscal 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 69 through 83 of this report.

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the metropolitan statistical area is currently 4.2%, which is an decrease of 1.8% from a year ago. This compares to the state's average unemployment rate of 3.9% as of June 30, 2019.
- Inflationary trends in the region are comparable to national indexes.
- New construction permitted and inspected over the previous year, was **\$17,903,292**, of which **\$15,848,748** is commercial, including **31** permits issued.
- Local sales tax collections are expected to increase approximate 3.0% in fiscal year 2020 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 2019-20.

During the current fiscal year, unassigned fund balance in the general fund increased **\$74,603**. The increase was due to (1) final expenses being less than budget, and (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 fiscal year 2009 and a 3% increase for each year until fiscal 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 fiscal year 2011, a 5% increase each year until fiscal year 2016, and a 3% increase each year until fiscal 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

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

-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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education
ASSETS					
Cash and Cash on Hand	\$ 1,617,359	18,936,034	20,553,393	248,873	1,965,026
Investments	1,822,131	7,424,985	9,247,116	-	-
Receivables (Net of Allowances for Uncollectibles)					
Taxes	5,214,386	-	5,214,386	-	-
Accounts	66,136	6,564,215	6,630,351	57,613	11,499
Internal Balances	94,100	(94,100)	-	-	-
Due from Other Governments	1,384,078	56	1,384,134	145,000	4,138,611
Inventories	17,603	1,509,432	1,527,035	44,561	39,720
Prepaid Expense	2,813	-	2,813	-	-
Restricted Assets					
Investments	3,126,962	-	3,126,962	-	-
TCRS Stabilization Reserve	26,053	22,320	48,373	1,225	44,015
Cash	457,753	3,352,554	3,810,307	44,660	-
Other Assets	-	662,530	662,530	255	-
Capital Assets					
Land	1,943,594	1,651,868	3,595,462	5,261,478	303,700
Water Right	-	3,354,167	3,354,167	-	-
Construction In Progress	1,946,884	500,944	2,447,828	1,360,331	511,676
Library Infrastructure	428,853	-	428,853	-	-
Buildings and Improvements	9,463,161	27,077,370	36,540,531	8,517,215	30,910,834
Motor Equipment	5,225,370	14,752,367	19,977,737	453,026	2,306,263
Office Equipment	3,570,429	2,500,530	6,070,959	-	-
Infrastructure	13,202,925	118,557,618	131,760,543	-	-
Less: Accumulated Depreciation	(21,299,434)	(68,640,501)	(89,939,935)	(3,186,552)	(14,023,712)
Net OPEB Asset	77,719	700,822	778,541	-	-
Net Pension Asset	23,346	16,691	40,037	-	1,091,863
TOTAL ASSETS	28,412,221	138,849,902	167,262,123	12,947,685	27,299,495
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Bond Refunding Costs	109,893	655,532	765,425	-	-
Deferred Outflows Related to OPEB	30,173	29,782	59,955	-	1,933,035
Deferred Outflows Related to Pensions	1,190,075	2,336,715	3,526,790	37,260	2,402,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,330,141	3,022,029	4,352,170	37,260	4,335,128
LIABILITIES					
Accounts Payable	536,230	7,517,861	8,054,091	39,617	1,132,401
Customer Deposits	-	3,337,858	3,337,858	125	-
Accrued Expenses and Other Liabilities	126,539	1,826,936	1,953,475	16,960	-
Due to Other Governments	11,111	-	11,111	-	-
Unearned Revenues	-	18	18	31,135	-
Noncurrent Liabilities					
Advance from TVA	-	641,487	641,487	-	-
Net Pension Liability	1,458,303	6,007,816	7,466,119	44,341	480,945
Net OPEB Liability	-	-	-	-	6,099,282
Due Within One Year	1,075,503	2,681,034	3,756,537	32,946	15,314
Due In More Than One Year	10,556,497	39,195,637	49,752,134	388,984	41,162
TOTAL LIABILITIES	13,764,183	61,208,647	74,972,830	554,108	7,769,104
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	4,938,131	-	4,938,131	-	3,176,157
Deferred Inflows Related to OPEB	113,751	289,140	402,891	-	290,822
Deferred Inflows Related to Pensions	605,013	986,496	1,591,509	15,758	1,655,863
TOTAL DEFERRED INFLOWS OF RESOURCES	5,656,895	1,275,636	6,932,531	15,758	5,122,842
NET POSITION					
Net Investment in Capital Assets	8,872,749	59,007,227	67,879,976	12,013,260	20,008,761
Restricted	484,446	717,513	1,201,959	44,660	1,533,140
Unrestricted	964,089	19,662,908	20,626,997	357,159	(2,799,224)
TOTAL NET POSITION	\$ 10,321,284	79,387,648	89,708,932	12,415,079	18,742,677

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, 2019

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
Primary Government									
Governmental Activities									
General Government	\$ 1,632,496	1,791,087	52,317	-	\$ 210,908	-	210,908	-	-
Public Safety	5,992,311	330,399	21,175	-	(5,640,737)	-	(5,640,737)	-	-
Public Works	2,512,212	-	35,563	-	(2,476,649)	-	(2,476,649)	-	-
Health and Welfare	189,515	-	-	-	(189,515)	-	(189,515)	-	-
Building Code Enforcement	293,754	-	-	-	(293,754)	-	(293,754)	-	-
Community Development	139,292	-	-	-	(139,292)	-	(139,292)	-	-
Culture and Recreation	1,784,948	85,864	10,529	-	(1,688,555)	-	(1,688,555)	-	-
Education	2,728,086	-	-	-	(2,728,086)	-	(2,728,086)	-	-
Airport	145,000	-	-	-	(145,000)	-	(145,000)	-	-
Other	336,060	-	-	-	(336,060)	-	(336,060)	-	-
Contribution to OPEB Trust	20,000	-	-	-	(20,000)	-	(20,000)	-	-
Interest on Long-Term Debt	307,427	-	-	-	(307,427)	-	(307,427)	-	-
Total Governmental Activities	16,081,101	2,207,350	119,584	0	(13,754,167)	0	(13,754,167)	0	0
Business-Type Activities									
Water and Sewer	8,515,379	9,681,928	-	41,348	-	1,207,897	1,207,897	-	-
Electric Department	54,068,156	56,241,617	-	-	-	2,173,461	2,173,461	-	-
Sanitation	1,075,425	1,215,207	-	-	-	139,782	139,782	-	-
Total Business-Type Activities	63,658,960	67,138,752	0	41,348	0	3,521,140	3,521,140	0	0
Total Primary Government	\$ 79,740,061	69,346,102	119,584	41,348	(13,754,167)	3,521,140	(10,233,027)	0	0
Component Units									
Airport	\$ 1,200,754	1,006,816	159,300	110,904	-	-	-	76,266	-
Education - School Board	25,290,331	777,533	5,991,621	-	-	-	-	-	(18,521,177)
Golf Course	425,806	363,411	-	-	-	-	-	-	-
Total Component Units	\$ 26,916,891	2,147,760	6,150,921	110,904	0	0	0	76,266	(18,521,177)
General Revenues									
Taxes									
Property Taxes					4,933,460	-	4,933,460	-	3,144,005
Sales Taxes					4,965,447	-	4,965,447	-	2,325,947
In-Lieu of Taxes					12,297	-	12,297	-	-
Business Taxes					343,042	-	343,042	-	-
Other Taxes					469,399	-	469,399	-	131,927
Other Local Governments					-	-	-	-	719
State Aid					2,329,121	-	2,329,121	-	13,777,611
Unrestricted Investment Earnings					150,532	529,573	680,105	228	40,048
Contributions not Restricted to Specific Programs					-	-	-	-	31,186
Miscellaneous					27,288	8,231	35,519	-	998
Transfers					1,355,772	(1,355,772)	-	-	-
Transfer of Operations (Note 19)					380,129	(380,129)	-	-	-
Total General Revenues and Transfers					14,966,487	(1,198,097)	13,768,390	228	19,452,441
Change in Net Position					1,212,320	2,323,043	3,535,363	76,494	931,264
Net Position - Beginning					9,108,964	77,110,641	86,219,605	12,338,585	17,811,413
Prior Period Restatement					-	(46,036)	(46,036)	-	-
Net Position - Beginning (Restated)					9,108,964	77,064,605	86,173,569	12,338,585	17,811,413
Net Position - Ending					\$ 10,321,284	79,387,648	89,708,932	12,415,079	18,742,677

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

CITY OF ELIZABETHTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash on Hand	\$ 973,708	643,651	1,617,359
Investments	1,241,021	581,110	1,822,131
Receivables (Net of Allowances for Uncollectibles)			
Taxes	5,214,386	-	5,214,386
Accounts	66,136	-	66,136
Due From Other Funds	95,765	3,181	98,946
Due From Other Governments	1,384,078	-	1,384,078
Inventories	17,603	-	17,603
Prepaid Expense	2,813	-	2,813
Restricted Assets - Debt Escrow	-	457,753	457,753
Restricted Assets - TCRS Stabilization Reserve	26,053	-	26,053
Restricted Assets - Investments	3,126,962	-	3,126,962
TOTAL ASSETS	\$ 12,148,525	1,685,695	13,834,220
LIABILITIES			
Accounts Payable	\$ 497,631	38,599	536,230
Other Liabilities	-	14,049	14,049
Due to Other Governments	11,111	-	11,111
Due to Other Funds	3,181	1,665	4,846
TOTAL LIABILITIES	511,923	54,313	566,236
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	4,938,131	-	4,938,131
Other Deferred Unavailable Revenues	251,661	-	251,661
TOTAL DEFERRED INFLOWS OF RESOURCES	5,189,792	0	5,189,792
FUND BALANCES			
Total Nonspendable	20,416	25,000	45,416
Total Restricted	35,195	348,186	383,381
Total Committed	2,931,201	1,008,147	3,939,348
Total Assigned	70,465	250,049	320,514
Total Unassigned	3,389,533	-	3,389,533
TOTAL FUND BALANCES	6,446,810	1,631,382	8,078,192
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,148,525	1,685,695	13,834,220

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, 2019

Total Fund Balances - Governmental Funds	\$ 8,078,192
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 \$35,781,216 and the accumulated depreciation is \$(21,299,434).	14,481,782
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	251,661
The net OPEB asset is not an available resource and; therefore, is not reported in the governmental funds. This amount is the net OPEB asset/(liability) in the amount of \$77,719, net of deferred inflows in the amount of \$(113,751) and deferred outflows in the amount of \$30,173.	(5,859)
Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds.	(112,490)
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) for TCRS Legacy and TCRS Hybrid in the combined net amount of \$(1,434,957), net of deferred inflows in the amount of \$(605,013) and deferred outflows in the amount of \$1,190,075.	(849,895)
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 and related premiums, notes payable, capital leases and compensated absences.	<u>(11,522,107)</u>
Total Net Position - Governmental Activities	<u>\$ 10,321,284</u>

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

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,745,578	-	10,745,578
Licenses and Permits	268,056	-	268,056
Intergovernmental	2,396,388	-	2,396,388
Charges for Services	1,883,722	-	1,883,722
Fines and Forfeitures	145,326	185,073	330,399
Miscellaneous	436,167	27,288	463,455
Interest Earnings	114,453	36,079	150,532
TOTAL REVENUES	15,989,690	248,440	16,238,130
EXPENDITURES			
General Government	2,196,642	11,805	2,208,447
Public Safety	5,591,434	91,117	5,682,551
Public Works	2,208,537	-	2,208,537
Health and Welfare	188,475	-	188,475
Building Code Enforcement	293,754	-	293,754
Community Development	139,292	-	139,292
Culture and Recreation	1,715,405	-	1,715,405
Education	2,728,086	-	2,728,086
Airport	145,000	-	145,000
Special Appropriations	301,370	-	301,370
Contributions to OPEB Trust	20,000	-	20,000
Debt Service	1,358,898	-	1,358,898
Other Operating Expenditures	-	34,690	34,690
Capital Outlay	656,330	2,387,813	3,044,143
TOTAL EXPENDITURES	17,543,223	2,525,425	20,068,648
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,553,533)	(2,276,985)	(3,830,518)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt	-	450,800	450,800
Transfers In	1,355,772	20,000	1,375,772
Transfers Out	(20,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,335,772	470,800	1,806,572
Net Change in Fund Balances	(217,761)	(1,806,185)	(2,023,946)
Fund Balances - Beginning	6,664,571	3,437,567	10,102,138
Fund Balances - Ending	\$ 6,446,810	1,631,382	8,078,192

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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ (2,023,946)
--	----------------

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 \$2,788,862 exceeds depreciation expense of \$970,091.	1,818,771
Because some property taxes and grants will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues and grants changed by this amount for the current year.	(21,933)
The net effect of various miscellaneous transactions involving capital assets and capital leases including Golf Course transactions of the Governmental Activities assuming the net capital assets of \$405,929 and the Capital Lease of (\$25,800) is to increase Net Position.	380,129
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.	(14,357)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term consumes financial resources of governmental funds. This is the amount by which repayments exceed proceeds.	590,263
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.	9,605
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 OPEB of (\$61,061), change in Deferred Inflows of Resources Related to OPEB of \$56,631, and the change in the Net OPEB (liability)/asset of \$49,799.	45,369
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 (\$98,749), change in Deferred Inflows of Resources Related to Pensions of (\$378,154), and the change in Net Position Liability (Asset) of \$904,519 for both TCRS pension plans, net.	427,616
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.	803

Change in Net Position - Governmental Activities	<u><u>\$ 1,212,320</u></u>
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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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General Property Taxes				
Current Property Taxes	\$ 4,611,035	4,611,035	4,530,048	(80,987)
Delinquent Property Taxes	432,113	432,113	369,171	(62,942)
Interest, Penalty and Attorney Fees	88,500	88,500	56,174	(32,326)
Total General Property Taxes	5,131,648	5,131,648	4,955,393	(176,255)
General Sales Tax				
Local Option Sales Tax	4,040,000	4,040,000	4,062,638	22,638
Selective Use and Sales Tax				
Local Beer Tax 17%	500,000	500,000	469,399	(30,601)
In-Lieu of Taxes				
Elizabethton Housing Authority	18,985	18,985	8,520	(10,465)
Brookhaven Homes for Elderly	3,988	3,988	3,777	(211)
Total In-Lieu of Taxes	22,973	22,973	12,297	(10,676)
Gross Receipts Taxes	361,300	361,300	343,042	(18,258)
Local Option	867,650	867,650	902,809	35,159
Total Taxes	10,923,571	10,923,571	10,745,578	(177,993)

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
REVENUES (CONTINUED)				
Licenses and Permits				
Licenses				
Interest and Penalty	-	-	13	13
Beer License	5,500	5,500	5,219	(281)
Retail Liquor	140,000	140,000	153,311	13,311
Electric, Gas and Plumbing	125	125	90	(35)
Fireworks	1,500	1,500	100	(1,400)
Total Licenses	147,125	147,125	158,733	11,608
Special Permits				
Electrical	14,000	14,000	12,236	(1,764)
Building	93,000	93,000	89,940	(3,060)
Plumbing	4,200	4,200	4,330	130
Gas	2,300	2,300	2,240	(60)
Demolition	775	775	300	(475)
Curb Cuts	120	120	92	(28)
Miscellaneous Permits	520	520	110	(410)
Pool	125	125	-	(125)
Erosion and Sediment	500	500	75	(425)
Total Special Permits	115,540	115,540	109,323	(6,217)
Total Licenses and Permits	262,665	262,665	268,056	5,391
Intergovernmental Revenue				
Federal through State				
Library Grant	-	8,360	10,529	2,169
Safe Routes to Schools	134,626	134,626	-	(134,626)
THDA - HOME Grant	-	497,000	-	(497,000)
COPS Grant	129,914	129,914	-	(129,914)
HIDTA	13,900	13,900	14,155	255
Total Federal through State	278,440	783,800	24,684	(759,116)

(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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
REVENUES (CONTINUED)				
Intergovernmental Revenue (Continued)				
State Awards				
Governor's Highway Safety Grant	-	5,000	5,000	-
Economic and Community Development Grant	-	250,000	-	(250,000)
TML - Safety Grant	-	2,020	2,020	-
Multi-Modal Grant	210,235	210,235	-	(210,235)
TN Dept. of Transportation	71,000	71,000	35,563	(35,437)
Total State Awards	281,235	538,255	42,583	(495,672)
State Shared Revenues				
City Streets	28,800	28,800	28,182	(618)
Public Safety Supplemental Pay	42,000	42,000	41,400	(600)
Mixed Drink Tax	25,000	25,000	35,825	10,825
Income Tax	216,000	216,000	139,844	(76,156)
Sales Tax	1,210,000	1,210,000	1,257,292	47,292
State Street Aid	480,000	480,000	501,151	21,151
Beer Tax	6,900	6,900	6,562	(338)
TVA Replacement Tax	162,000	162,000	170,942	8,942
Excise Tax	56,500	56,500	49,941	(6,559)
Land Acquisition Reimbursement	1,200	1,200	1,232	32
Telecommunications Tax	1,200	1,200	19,150	17,950
Total State Shared Revenues	2,229,600	2,229,600	2,251,521	21,921
Local Government Revenue				
Carter County-Library	60,600	65,600	65,600	-
Carter County-Park and Recreation	11,281	12,000	12,000	-
Total Local Government Revenue	71,881	77,600	77,600	0
Total Intergovernmental Revenue	2,861,156	3,629,255	2,396,388	(1,232,867)

(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, 2019

	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	439,800	439,800	373,856	(65,944)
Elizabethton Water and Sewer Division	658,677	658,677	658,677	-
Elizabethton Electric Department	657,925	657,925	638,306	(19,619)
Special Police Services	108,000	108,000	127,019	19,019
Total Various General Government Charges	1,864,402	1,864,402	1,797,858	(66,544)
Culture and Recreation				
Swimming Pool-Season Tickets	250	250	80	(170)
Swimming Pool-Daily Tickets	20,000	20,000	16,910	(3,090)
Swimming Pool-Concessions	700	700	-	(700)
Swimming Lessons	-	-	500	500
Baseball-Season Tickets	7,000	7,000	469	(6,531)
Baseball-Daily Tickets	18,000	18,000	18,332	332
Baseball-Souvenir Sales	10,000	10,000	6,237	(3,763)
Baseball-Advertising	27,000	27,000	13,995	(13,005)
Parks-Concession Sales	4,850	4,850	-	(4,850)
Other Miscellaneous - Park and Recreation	12,700	12,700	9,101	(3,599)
League Entrance Fees	16,265	16,265	8,118	(8,147)
Pavilion Rental	1,500	1,500	3,153	1,653
Rental	9,500	9,500	8,969	(531)
Total Culture and Recreation	127,765	127,765	85,864	(41,901)
Total Charges for Services	1,992,167	1,992,167	1,883,722	(108,445)

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary and GAAP Basis	
REVENUES (CONTINUED)				
Fines and Forfeitures				
Moving Traffic Fines	81,500	81,500	66,140	(15,360)
Fines - Defensive Driving School	30,000	30,000	21,393	(8,607)
Court Fines	40,000	40,000	29,477	(10,523)
Credit Card Processing Fees	900	900	1,053	153
Sex Offender	750	750	300	(450)
Financial Responsibility	11,800	11,800	7,340	(4,460)
Seized Driver's License	500	500	2,955	2,455
Library Fines	19,000	19,000	16,668	(2,332)
Total Fines and Forfeitures	184,450	184,450	145,326	(39,124)
Miscellaneous Revenue				
Rents and Royalties				
TV Cable Franchise	168,000	168,000	167,435	(565)
Natural Gas Franchise	135,000	135,000	137,445	2,445
City Property	-	-	10	10
Tennessee Vocational Training Center	78,960	78,960	78,960	-
Total Rents and Royalties	381,960	381,960	383,850	1,890
Other				
Miscellaneous	39,250	40,425	44,576	4,151
Donations	8,600	9,399	7,741	(1,658)
Total Other	47,850	49,824	52,317	2,493
Total Miscellaneous Revenue	429,810	431,784	436,167	4,383
Interest Earnings				
Investments	88,808	88,808	114,453	25,645
Total Interest Earnings	88,808	88,808	114,453	25,645
TOTAL REVENUES	16,742,627	17,512,700	15,989,690	(1,523,010)

(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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General Government				
City Council				
Salaries and Benefits	14,892	14,602	14,602	-
Supplies	5,030	3,344	3,344	-
Professional Services	150	3,071	3,071	-
Travel, Training and Vehicle Expense	12,000	14,137	14,137	-
Utilities	300	242	242	-
Dues and Subscriptions	600	824	824	-
Other	9,000	5,811	5,811	-
General Liability	30,600	30,573	30,573	-
Total City Council	72,572	72,604	72,604	0
City Judge				
Salaries and Benefits	16,850	16,824	16,824	-
Professional Services	8,000	8,301	8,301	-
General Liability	90	62	62	-
Total City Judge	24,940	25,187	25,187	0
City Manager				
Salaries and Benefits	116,352	118,430	115,656	2,774
Supplies	2,400	1,585	1,585	-
Repairs and Maintenance	50	-	-	-
Professional Services	120	551	551	-
Travel, Training and Vehicle Expense	7,490	8,672	8,672	-
Utilities	730	898	898	-
Dues and Subscriptions	5,800	4,777	4,777	-
Other	100	32	32	-
General Liability	1,313	827	827	-
Total City Manager	134,355	135,772	132,998	2,774

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Financial				
Salaries and Benefits	307,993	310,790	309,641	1,149
Supplies	23,016	22,376	15,339	7,037
Repairs and Maintenance	1,600	1,600	168	1,432
Professional Services	88,759	94,950	93,008	1,942
Travel, Training and Vehicle Expense	5,500	2,729	1,441	1,288
Utilities	3,300	3,300	1,879	1,421
Dues and Subscriptions	1,400	1,400	216	1,184
Other	9,375	6,555	5,121	1,434
General Liability	5,940	3,183	2,547	636
Total Financial	446,883	446,883	429,360	17,523
Fleet Maintenance				
Salaries and Benefits	189,312	189,312	183,696	5,616
Supplies	8,892	9,007	5,907	3,100
Repairs and Maintenance	14,800	14,800	4,412	10,388
Professional Services	12,250	12,250	10,378	1,872
Travel, Training and Vehicle Expense	5,150	5,150	2,531	2,619
Utilities	34,100	34,100	28,542	5,558
Other - Cost of Goods Sold	403,550	403,550	286,333	117,217
General Liability	3,702	3,587	2,596	991
Total Fleet Maintenance	671,756	671,756	524,395	147,361
Management Information Systems				
Supplies	1,000	100	18	82
Repairs and Maintenance	9,500	8,700	10,498	(1,798)
Professional Services	39,490	45,138	45,137	1
Travel, Training and Vehicle Expense	6,185	5,046	4,975	71
Utilities	1,500	600	557	43
General Liability	4,161	2,461	2,368	93
Total Management Information Systems	61,836	62,045	63,553	(1,508)

(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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Purchasing				
Salaries and Benefits	43,001	42,546	42,458	88
Supplies	3,996	4,749	2,918	1,831
Repairs and Maintenance	1,090	864	83	781
Professional Services	525	1,177	632	545
Travel, Training and Vehicle Expense	3,200	2,657	333	2,324
Utilities	1,500	1,500	1,048	452
Dues and Subscriptions	860	1,279	1,005	274
Other	300	300	31	269
General Liability	996	397	286	111
Total Purchasing	55,468	55,469	48,794	6,675
City Attorney				
Salaries and Benefits	22,605	22,665	22,155	510
Supplies	-	188	188	-
Professional Services	32,000	47,836	45,618	2,218
Travel, Training and Vehicle Expense	1,700	2,143	1,684	459
Utilities	265	265	242	23
Dues and Subscriptions	1,300	1,697	1,697	-
Other	25,000	23,548	23,473	75
General Liability	450	284	284	-
Total City Attorney	83,320	98,626	95,341	3,285
Personnel				
Salaries and Benefits	171,483	171,651	159,121	12,530
Supplies	4,627	4,627	2,325	2,302
Repairs and Maintenance	75	75	-	75
Professional Services	1,449	1,449	879	570
Travel, Training and Vehicle Expense	1,165	1,159	629	530
Utilities	1,200	1,200	766	434
Dues and Subscriptions	2,025	2,185	1,497	688
Other	5,175	4,852	3,664	1,188
General Liability	425	425	231	194
Total Personnel	187,624	187,623	169,112	18,511

(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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Electric				
Salaries and Benefits	594,651	594,651	579,510	15,141
Supplies	10,230	10,357	7,146	3,211
Repairs and Maintenance	1,000	1,013	561	452
Professional Services	37,908	41,377	41,405	(28)
Travel, Training and Vehicle Expense	6,000	2,165	1,397	768
Utilities	3,710	3,880	2,194	1,686
Dues and Subscriptions	700	757	257	500
Other	126	126	34	92
General Liability	3,600	3,600	2,794	806
Total Electric	657,925	657,926	635,298	22,628
Capital Outlay	23,636	1,000	-	1,000
Total General Government	2,420,315	2,414,891	2,196,642	218,249
Public Safety				
Police Patrol				
Salaries and Benefits	3,224,193	3,213,193	2,840,438	372,755
Supplies	147,008	141,277	78,740	62,537
Repairs and Maintenance	39,335	45,058	25,683	19,375
Professional Services	277,484	273,223	245,495	27,728
Travel, Training and Vehicle Expense	194,220	196,111	156,010	40,101
Utilities	37,450	33,816	21,637	12,179
Dues and Subscriptions	3,280	3,280	740	2,540
Other	19,725	24,797	9,715	15,082
General Liability	47,492	47,756	41,466	6,290
Total Police Patrol	3,990,187	3,978,511	3,419,924	558,587
Fire Prevention				
Salaries and Benefits	2,035,268	2,007,696	1,971,498	36,198
Supplies	46,200	48,825	48,218	607
Repairs and Maintenance	30,800	44,800	43,166	1,634
Professional Services	11,900	12,300	11,327	973
Travel, Training and Vehicle Expense	39,900	42,148	37,098	5,050
Utilities	35,259	38,858	38,655	203
Dues and Subscriptions	800	1,800	1,350	450
Other	15,350	3,350	2,867	483
General Liability	20,427	20,427	17,331	3,096
Total Fire Prevention	2,235,904	2,220,204	2,171,510	48,694
Capital Outlay	151,600	176,301	150,054	26,247
Total Public Safety	6,377,691	6,375,016	5,741,488	633,528

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Public Works				
Street Maintenance				
Salaries and Benefits	709,359	709,359	585,576	123,783
Supplies	213,830	162,917	147,424	15,493
Repairs and Maintenance	76,975	66,386	48,059	18,327
Professional Services	114,080	100,227	87,024	13,203
Travel, Training and Vehicle Expense	136,885	130,623	115,305	15,318
Utilities	4,120	4,109	2,977	1,132
Dues and Subscriptions	1,140	1,740	904	836
Other	227,985	227,985	9,241	218,744
General Liability	10,098	10,220	8,668	1,552
Total Street Maintenance	1,494,472	1,413,566	1,005,178	408,388
Parks and Special Events				
Utilities	4,950	4,950	4,037	913
Stormwater				
Salaries and Benefits	62,348	62,441	62,220	221
Supplies	2,000	2,000	1,850	150
Professional Services	36,160	36,060	7,864	28,196
Travel, Training and Vehicle Expense	4,000	4,000	1,209	2,791
Dues and Subscriptions	1,450	1,450	911	539
Other	3,460	3,460	3,460	-
Total Stormwater	109,418	109,411	77,514	31,897

(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, 2019

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Works (Continued)				
Engineering				
Salaries and Benefits	175,132	179,605	178,581	1,024
Supplies	31,645	31,645	17,464	14,181
Repairs and Maintenance	43,830	78,830	31,372	47,458
Professional Services	47,925	36,763	19,099	17,664
Travel, Training and Vehicle Expense	7,950	7,950	3,197	4,753
Utilities	9,390	10,090	5,924	4,166
Dues and Subscriptions	3,300	3,300	597	2,703
General Liability	4,859	4,871	1,238	3,633
Total Engineering	324,031	353,054	257,472	95,582
State Street Aid				
Repairs and Maintenance	400,000	432,552	428,148	4,404
Utilities	498,000	455,301	436,188	19,113
Total State Street Aid	898,000	887,853	864,336	23,517
Capital Outlay	378,977	436,513	278,040	158,473
Total Public Works	3,209,848	3,205,347	2,486,577	718,770
Health and Welfare				
Animal Shelter Operations				
Professional Services	100,000	108,451	108,450	1
Total Animal Shelter Operations	100,000	108,451	108,450	1
Contributions to Non-Profit Organizations	80,025	80,025	80,025	-
Total Health and Welfare	180,025	188,476	188,475	1

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Building Code Enforcement				
Salaries and Benefits	228,405	228,405	221,881	6,524
Supplies	5,920	5,920	4,387	1,533
Repairs and Maintenance	26,890	29,415	21,348	8,067
Professional Services	33,960	36,960	12,861	24,099
Travel, Training and Vehicle Expense	7,750	7,638	3,291	4,347
Utilities	31,600	27,600	24,352	3,248
Dues and Subscriptions	1,680	1,792	1,003	789
Other	50	50	-	50
General Liability	5,292	5,382	4,631	751
Total Enforcement	341,547	343,162	293,754	49,408
Capital Outlay	28,255	106,640	-	106,640
Total Building Code Enforcement	369,802	449,802	293,754	156,048
Community Development				
Salaries and Benefits	103,736	103,736	103,309	427
Supplies	2,140	2,135	421	1,714
Repairs and Maintenance	200	200	-	200
Professional Services	68,220	44,770	29,333	15,437
Travel, Training and Vehicle Expense	4,940	4,612	2,321	2,291
Utilities	1,200	1,200	978	222
Dues and Subscriptions	900	1,228	877	351
Other	138,776	885,776	1,739	884,037
General Liability	10,590	10,595	314	10,281
Total Community Development	330,702	1,054,252	139,292	914,960
Culture and Recreation				
Administration				
Salaries and Benefits	179,873	212,292	210,736	1,556
Supplies	5,150	5,099	3,603	1,496
Professional Services	700	700	87	613
Travel, Training and Vehicle Expense	6,475	5,375	3,788	1,587
Utilities	4,500	3,161	2,393	768
Dues and Subscriptions	650	650	595	55
Other	500	16,942	16,758	184
General Liability	2,241	2,241	1,711	530
Total Administration	200,089	246,460	239,671	6,789

(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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary and GAAP Basis	
EXPENDITURES (CONTINUED)				
Culture and Recreation (Continued)				
Swimming Pools				
Salaries and Benefits	37,908	37,908	34,406	3,502
Supplies	7,800	7,800	6,497	1,303
Repairs and Maintenance	13,000	13,000	8,252	4,748
Professional Services	1,200	1,200	1,170	30
Utilities	15,900	15,900	9,944	5,956
Other	1,275	1,275	340	935
General Liability	2,060	2,060	1,307	753
Total Swimming Pools	79,143	79,143	61,916	17,227
Athletic Fields and Parks				
Salaries and Benefits	286,607	283,267	267,276	15,991
Supplies	54,700	52,784	50,719	2,065
Repairs and Maintenance	60,500	35,770	22,387	13,383
Professional Services	15,450	15,850	14,645	1,205
Travel, Training and Vehicle Expense	15,950	15,415	13,367	2,048
Utilities	77,500	73,100	59,234	13,866
Dues and Subscriptions	225	225	-	225
Other	10,000	12,300	11,263	1,037
General Liability	9,503	10,222	8,180	2,042
Total Athletic Fields and Parks	530,435	498,933	447,071	51,862
Recreation Center				
Salaries and Benefits	68,683	70,779	69,476	1,303
Supplies	13,580	16,874	15,203	1,671
Repairs and Maintenance	9,200	8,910	8,211	699
Professional Services	16,150	16,781	16,630	151
Travel, Training and Vehicle Expense	2,000	2,000	1,469	531
Utilities	51,638	52,207	45,844	6,363
General Liability	5,574	5,574	5,109	465
Total Recreation Center	166,825	173,125	161,942	11,183
Leagues				
Salaries and Benefits	37,515	27,844	27,654	190
Supplies	33,105	10,220	9,653	567
Professional Services	19,100	19,000	8,780	10,220
Travel, Training and Vehicle Expense	2,200	2,395	2,395	-
Utilities	130	284	283	1
Dues and Subscriptions	16,500	11,085	11,085	-
Other	5,000	1,488	1,488	-
General Liability	1,558	728	614	114
Total Leagues	115,108	73,044	61,952	11,092

(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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary and GAAP Basis	Final Budget
EXPENDITURES (CONTINUED)				
Culture and Recreation (Continued)				
Public Library				
Salaries and Benefits	351,498	359,364	323,561	35,803
Supplies	77,100	83,349	75,198	8,151
Repairs and Maintenance	30,600	25,391	20,991	4,400
Professional Services	19,680	19,680	17,810	1,870
Travel, Training and Vehicle Expense	2,700	3,050	1,675	1,375
Utilities	38,700	36,561	34,950	1,611
Dues and Subscriptions	1,500	1,500	1,497	3
Other	7,450	17,506	705	16,801
General Liability	7,200	7,048	6,466	582
Total Public Library	536,428	553,449	482,853	70,596
Golf Course				
Other Expenses	90,000	260,000	260,000	-
Total Golf Course	90,000	260,000	260,000	-
Capital Outlay	147,000	306,079	228,236	77,843
Total Culture and Recreation	1,865,028	2,190,233	1,943,641	246,592
Education	2,409,341	2,728,087	2,728,086	1
Airport	145,000	145,000	145,000	-
Special Appropriations to Other Governmental Entities	248,520	301,370	301,370	-
Contributions to OPEB Trust	20,000	20,000	20,000	-
Debt Service				
Principal	1,024,412	1,024,412	1,024,411	1
Interest	330,133	330,133	330,109	24
Paying Agent Fees	6,100	6,100	4,378	1,722
Total Debt Service	1,360,645	1,360,645	1,358,898	1,747
TOTAL EXPENDITURES	18,936,917	20,433,119	17,543,223	2,889,896
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,194,290)	(2,920,419)	(1,553,533)	1,366,886
OTHER FINANCING SOURCES (USES)				
Transfers				
Elizabethton Electric - In-Lieu of Taxes	1,424,279	1,424,279	1,355,772	(68,507)
Parks and Recreation - Capital Project	(14,000)	(14,000)	(14,000)	-
Bonnie Kate - Capital Project	(6,000)	(6,000)	(6,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,404,279	1,404,279	1,335,772	(68,507)
Net Change in Fund Balance	(790,011)	(1,516,140)	(217,761)	1,298,379
Fund Balance, July 1, 2018	5,578,468	1,789,493	6,664,571	4,875,078
Fund Balance, June 30, 2019	\$ 4,788,457	273,353	6,446,810	6,173,457

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, 2019

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department Fund	Elizabethton Sanitation Fund	Total Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash on Hand	\$ 5,810,792	12,126,253	998,989	18,936,034
Investments	1,047,757	6,377,228	-	7,424,985
Accounts Receivable (Net of Allowances for Uncollectibles)	649,366	5,841,802	73,047	6,564,215
Inventories	552,984	956,448	-	1,509,432
Due from Other Governments	56	-	-	56
Total Current Assets	8,060,955	25,301,731	1,072,036	34,434,722
Capital Assets				
Land	733,924	602,694	315,250	1,651,868
Water Right	3,354,167	-	-	3,354,167
Construction In Progress	472,289	28,655	-	500,944
Buildings and Improvements	24,700,454	2,376,916	-	27,077,370
Motor Equipment	7,214,644	6,144,816	1,392,907	14,752,367
Office Equipment	331,843	2,123,986	44,701	2,500,530
Infrastructure	24,500,118	94,057,500	-	118,557,618
Less: Accumulated Depreciation	(34,969,034)	(33,093,684)	(577,783)	(68,640,501)
Net Capital Assets	26,338,405	72,240,883	1,175,075	99,754,363
Other Noncurrent Assets				
Restricted Cash - Customer Deposits	616,711	2,735,843	-	3,352,554
Restricted Assets - TCRS Stabilization Reserve	10,854	10,535	931	22,320
Net Pension Asset - Hybrid Plan	8,341	7,260	1,090	16,691
Net OPEB Asset	84,976	537,558	78,288	700,822
Other Assets	-	662,530	-	662,530
Total Other Noncurrent Assets	720,882	3,953,726	80,309	4,754,917
TOTAL ASSETS	35,120,242	101,496,340	2,327,420	138,944,002
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Bond Refunding Costs	228,576	426,956	-	655,532
Deferred Outflows Related to OPEB	10,366	14,019	5,397	29,782
Deferred Outflows Related to Pensions	449,886	1,828,018	58,811	2,336,715
TOTAL DEFERRED OUTFLOWS OF RESOURCES	688,828	2,268,993	64,208	3,022,029

(Continued)

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department Fund	Elizabethton Sanitation Fund	
LIABILITIES				
Current Liabilities				
Accounts Payable	284,263	7,188,855	44,743	7,517,861
Customer Deposits	616,711	2,721,147	-	3,337,858
Other Current Liabilities	61,415	58,006	-	119,421
Accrued Interest	1,246,065	461,450	-	1,707,515
Unearned Revenue	18	-	-	18
Due to Other Funds	11,989	67,955	14,156	94,100
Bonds Payable	847,050	1,330,000	-	2,177,050
Notes Payable	108,148	-	-	108,148
State Loans Payable	186,456	-	-	186,456
Compensated Absences	84,391	119,231	5,758	209,380
Total Current Liabilities	<u>3,446,506</u>	<u>11,946,644</u>	<u>64,657</u>	<u>15,457,807</u>
Noncurrent Liabilities				
Bonds Payable	6,798,353	28,230,000	-	35,028,353
Bond Premium	50,325	321,592	-	371,917
Notes Payable	372,591	-	-	372,591
Leases Payable	-	-	-	-
State Loans Payable	3,158,153	-	-	3,158,153
Advance from TVA	-	641,487	-	641,487
Compensated Absences	54,432	198,038	12,153	264,623
Net Pension Liability	551,031	5,384,751	72,034	6,007,816
Total Noncurrent Liabilities	<u>10,984,885</u>	<u>34,775,868</u>	<u>84,187</u>	<u>45,844,940</u>
TOTAL LIABILITIES	<u>14,431,391</u>	<u>46,722,512</u>	<u>148,844</u>	<u>61,302,747</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to OPEB	138,393	135,478	15,269	289,140
Deferred Inflows Related to Pensions	227,734	728,992	29,770	986,496
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>366,127</u>	<u>864,470</u>	<u>45,039</u>	<u>1,275,636</u>
NET POSITION				
Net Investment in Capital Assets	15,045,905	42,786,247	1,175,075	59,007,227
Restricted for Other Purposes	93,317	544,818	79,378	717,513
Unrestricted	5,872,330	12,847,286	943,292	19,662,908
TOTAL NET POSITION	<u>\$ 21,011,552</u>	<u>56,178,351</u>	<u>2,197,745</u>	<u>79,387,648</u>

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

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department Fund	Elizabethton Sanitation Fund	Elizabethton Municipal Golf Course Fund	
OPERATING REVENUES					
Charges for Services	\$ 9,681,928	56,241,617	1,215,207	-	67,138,752
OPERATING EXPENSES					
Wages and Employee Benefits	2,778,778	-	359,464	-	3,138,242
Purchases of Power, Water and Other	-	42,410,486	-	-	42,410,486
Other Operating Expenses	1,450,534	3,974,451	59,605	-	5,484,590
Maintenance	141,747	2,828,277	170,540	-	3,140,564
Tax Equivalent	-	579,131	-	-	579,131
Treatment, Transmissions and Utilities	989,565	-	-	-	989,565
Landfill	-	-	392,537	-	392,537
Administrative	658,677	-	1,121	-	659,798
Contributions to OPEB Trust	25,000	-	-	-	25,000
Amortization	269,035	27,121	-	-	296,156
Depreciation	1,568,717	3,238,096	92,158	-	4,898,971
TOTAL OPERATING EXPENSES	7,882,053	53,057,562	1,075,425	0	62,015,040
OPERATING INCOME (LOSS)	1,799,875	3,184,055	139,782	0	5,123,712
NONOPERATING REVENUES (EXPENSES)					
Interest Income	157,088	372,485	-	-	529,573
Interest Expense and Fiscal Charges	(633,326)	(1,010,594)	-	-	(1,643,920)
Other Income	8,231	-	-	-	8,231
TOTAL NONOPERATING REVENUES (EXPENSES)	(468,007)	(638,109)	0	0	(1,106,116)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,331,868	2,545,946	139,782	-	4,017,596
TRANSFER (TO) FROM GENERAL FUND	-	(1,355,772)	-	-	(1,355,772)
TRANSFER OF OPERATIONS	-	-	-	(380,129)	(380,129)
CONTRIBUTIONS - CAPITAL GRANT REVENUE	41,348	-	-	-	41,348
Change in Net Position	1,373,216	1,190,174	139,782	(380,129)	2,323,043
NET POSITION, JULY 1, 2018	19,638,336	54,988,177	2,057,963	426,165	77,110,641
PRIOR PERIOD RESTATEMENT	-	-	-	(46,036)	(46,036)
NET POSITION, JULY 1, 2018, RESTATED	19,638,336	54,988,177	2,057,963	380,129	77,064,605
NET POSITION, JUNE 30, 2019	\$ 21,011,552	56,178,351	2,197,745	0	79,387,648

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, 2019

	Business-Type Activities - Enterprise Funds				
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department Fund	Elizabethton Sanitation Fund	Elizabethton Municipal Golf Course Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 9,611,599	53,238,708	1,209,457	(71,704)	63,988,060
Cash Received from City of Elizabethton for Services	-	1,120,145	-	-	1,120,145
Cash Received from Rentals and Other Sales	-	2,565,768	-	-	2,565,768
Cash Payments for Tax Equivalent	-	(396,779)	-	-	(396,779)
Cash Payments for Employee Services and Benefits	(2,990,058)	(815,160)	(386,684)	(23,680)	(4,215,582)
Cash Payments to Suppliers for Goods and Services	<u>(3,157,201)</u>	<u>(48,470,375)</u>	<u>(643,864)</u>	<u>(31,407)</u>	<u>(52,302,847)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>3,464,340</u>	<u>7,242,307</u>	<u>178,909</u>	<u>(126,791)</u>	<u>10,758,765</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(664,072)	(2,695,930)	(161,063)	-	(3,521,065)
Payments on State Loan Funds	(183,240)	-	-	-	(183,240)
Principal Paid on Bonds Payable	(848,969)	(1,290,000)	-	-	(2,138,969)
Principal Paid on Notes Payable	(160,066)	-	-	-	(160,066)
Interest Paid on Leases, Bonds, and Notes Payable	(683,407)	(1,025,490)	-	-	(1,708,897)
Capital Grants	<u>41,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,348</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,498,406)</u>	<u>(5,011,420)</u>	<u>(161,063)</u>	<u>0</u>	<u>(7,670,889)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Change in Due To/Due From Other Funds	(9,900)	-	1,393	-	(8,507)
Change in Due To/Due From Other Governments	(2)	-	-	-	(2)
Transfers to Other Funds	-	(1,355,772)	-	-	(1,355,772)
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,036)</u>	<u>(46,036)</u>
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>(9,902)</u>	<u>(1,355,772)</u>	<u>1,393</u>	<u>(46,036)</u>	<u>(1,410,317)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of Investments	33,196	-	-	-	33,196
Purchase of Investments	(10,854)	(174,294)	(931)	-	(186,079)
Interest on Investments	<u>157,088</u>	<u>372,485</u>	<u>-</u>	<u>-</u>	<u>529,573</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>179,430</u>	<u>198,191</u>	<u>(931)</u>	<u>0</u>	<u>376,690</u>
Net Increase (Decrease) in Cash and Cash on Hand	<u>1,135,462</u>	<u>1,073,306</u>	<u>18,308</u>	<u>(172,827)</u>	<u>2,054,249</u>
CASH AND CASH ON HAND AT BEGINNING OF YEAR	<u>5,292,041</u>	<u>13,788,790</u>	<u>980,681</u>	<u>172,827</u>	<u>20,234,339</u>
CASH AND CASH ON HAND AT END OF YEAR	<u><u>\$ 6,427,503</u></u>	<u><u>14,862,096</u></u>	<u><u>998,989</u></u>	<u><u>0</u></u>	<u><u>22,288,588</u></u>

(Continued)

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department Fund	Elizabethton Sanitation Fund	Elizabethton Municipal Golf Course Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
OPERATING INCOME (LOSS)	\$ 1,799,875	3,184,055	139,782	-	5,123,712
Adjustments					
Depreciation and Amortization	1,837,752	3,408,121	92,158	-	5,338,031
Change in Net Pension Liability (Asset)	(358,005)	(386,204)	(43,808)	-	(788,017)
Change in Deferred Outflows Related to Pensions	54,298	(145,336)	4,015	-	(87,023)
Change in Deferred Inflows Related to Pensions	137,609	(42,686)	18,540	-	113,463
Change in Net OPEB Liability (Asset)	(37,449)	(77,571)	(18,923)	-	(133,943)
Change in Deferred Outflows Related to OPEB	9,844	24,151	3,598	-	37,593
Change in Deferred Inflows Related to OPEB	8,425	5,958	9,271	-	23,654
Changes in Assets and Liabilities					
(Increase) Decrease in Net Accounts Receivable	(70,329)	855,741	(5,750)	137	779,799
(Increase) Decrease in CSA Stockholder Loan	-	824	-	-	824
(Increase) Decrease in Inventories	(12,275)	(21,100)	-	27,403	(5,972)
(Increase) Decrease in Other Assets	-	-	-	957	957
Increase (Decrease) in Accounts Payable	69,983	648,451	(20,061)	(59,767)	638,606
Increase (Decrease) in Customer Deposits	15,246	80,308	-	-	95,554
Increase (Decrease) in Other Current Liabilities	10,350	(281,285)	-	(22,805)	(293,740)
Increase (Decrease) in Unearned Revenue	18	-	-	(72,716)	(72,698)
Increase (Decrease) in Compensated Absences	(1,002)	(11,120)	87	-	(12,035)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 3,464,340</u>	<u>7,242,307</u>	<u>178,909</u>	<u>(126,791)</u>	<u>10,758,765</u>
RECONCILIATION OF CASH AND CASH ON HAND TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and Cash on Hand	\$ 5,810,792	12,126,253	998,989	-	18,936,034
Restricted Cash - Customer Deposits	<u>616,711</u>	<u>2,735,843</u>	<u>-</u>	<u>-</u>	<u>3,352,554</u>
TOTAL CASH AND CASH ON HAND	<u>\$ 6,427,503</u>	<u>14,862,096</u>	<u>998,989</u>	<u>0</u>	<u>22,288,588</u>

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

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2019

	Other Post-Employment Benefits (OPEB) Trust Fund
ASSETS	
Cash in Bank	\$ 2,074
Investments	<u>4,182,382</u>
TOTAL ASSETS	<u>4,184,456</u>
NET POSITION	
Restricted for Other Employment Benefits (OPEB)	<u>4,184,456</u>
TOTAL NET POSITION	<u><u>\$ 4,184,456</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 FUND
For the Year Ended June 30, 2019

	Other Post-Employment Benefits (OPEB) Trust Fund
ADDITIONS	
Contributions	\$ 45,000
Investment Earnings	
Net Depreciation in Fair Value of Investments	274,385
Total Investment Earnings	274,385
Less Investment Expense	32,915
Net Investment Earnings (Loss)	241,470
Total Additions	286,470
DEDUCTIONS	
Other Expenses	47,149
Total Deductions	47,149
Change in Net Position	239,321
Net Position - Beginning of Year	3,945,135
Net Position - End of Year	\$ 4,184,456

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 and the Elizabethton Board of Education are discretely presented component units. Each component unit has a June 30 year end. Until March 31, 2018, the Elizabethton Golf Course was reported as a discretely presented component unit. The Golf Course's Board of Directors was abolished effective April 1, 2018, and operations of the Golf Course was outsourced to another entity. The City remains the owner of the land, building, equipment and fixtures. The City pays the third party a contracted fee for operating the Golf Course. The City does not receive any revenue sharing and does not incur any operational expense. There are no City employees of the Golf Course. For the period April 1, 2018 to June 30, 2018, the operations of the Golf Course were shown as a fund of the City. During fiscal year 2019, City Council voted to close the Golf Course as a separate fund and report the Golf Course as a division within the General Fund.

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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units – As discussed earlier, the City has two discretely presented component units at June 30, 2019. While the Elizabethton Municipal Airport is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements. It is reported in a separate column to emphasize that it is also 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.

Complete financial statements of Elizabethton Municipal Airport and Elizabethton Board of Education, 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 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.

The Elizabethton Board of Education

The Elizabethton City School System (the 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 school system.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Individual Component Unit Disclosures (Continued)

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.

Related Organizations

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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Organizations (Continued)

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.

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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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*.

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 the 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 funds' and fiduciary fund's 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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, 2019

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.

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 Proprietary Funds' 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 7.0% of all other years at June 30, 2019. Estimated uncollectible taxes were based on the prior year's collection experience.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 2018 calendar year property tax rates were \$1.79, 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 are classified as restricted by management. Management has restricted the cash and investments for future payment of bond retirement costs and industrial development. In addition, given the arrangement with TCRS, the City has investments reflected in the TCRS Stabilization Reserve.

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, 2019

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. 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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

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, 2019

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, deferred bond refunding costs, 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 \$77,719 as restricted in relation to the Net OPEB Asset and \$23,346 as restricted in relation to the Net Pension 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, 2019, the City had \$5,450,000 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:

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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)

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- 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. Negative 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 may be 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, 2019

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 liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), Elizabethton-Hybrid with Cost Controls' participation in the Public Employee Retirement Plan of the TCRS, and the Central Service Association (CSA) Pension Plan, and additions to/deductions from the City's fiduciary net positions have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plans 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 Plans of the 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 Net 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. Another item is for pension changes in experience and other deferrals, as well as employer contributions made to the pension plan after the measurement date. Other items are difference in experience related to the OPEB plan, and earnings on OPEB plan investments.

In addition to liabilities, the Statement of Net 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, 2019

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' 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. Other items are difference in experience related to the OPEB plan, and earnings on OPEB plan investments.

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

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

The governmental funds' 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, and related premiums, capital leases and compensated absences." The details of this \$(11,522,107) difference are as follows:

Bonds Payable	\$ (10,610,000)
Deferred Amount on Issuance Premium	(98,993)
Notes Payable	(450,800)
Capital Lease	(9,133)
Compensated Absences	(463,074)
Deferred Bond Refunding Cost	<u>109,893</u>
Net adjustment to reduce <i>fund balances - governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (11,522,107)</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

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

The governmental funds' 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 governmental activities* as reported in the government-wide Statement of Activities.

One element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. This is the amount by which repayments exceed proceeds. The details of this \$590,263 difference are as follows:

Principal Repayments:

General Obligation Debt	\$ 835,000
Capital Lease	16,667
Notes Payable	189,396

Proceeds from Notes Payable:

Notes Payable	<u>(450,800)</u>
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Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*

\$ 590,263

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 \$(14,357) difference are as follows:

Compensated Absences for the Prior Year	\$ 448,717
Compensated Absences for the Current Year	<u>(463,074)</u>

Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position- governmental activities*

\$ (14,357)

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

B. Explanation of Certain Differences Between the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "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." The details of this \$803 difference are as follows:

Bond Premium Amortization	\$ 7,023
Deferred Bond Refunding Cost Amortization	<u>(6,220)</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position – governmental activities</i>	<u>\$ 803</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 and Schedules of Budget and Actual is as originally adopted or as amended by the City Council. Actual expenditures for the Management Information Systems department within the General Fund exceeded budget by \$1,508.

The budgetary basis only differs from accounting principles generally accepted in the United States of America concerning the reporting of property tax collections. The budget is prepared using the actual cash collections expected. The actual amounts reported by the modified accrual basis are immaterially different from the cash basis used for the budget.

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash includes 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:

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS: State statute requires 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 TCA 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.

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, other than funds with the TCRS Stabilization Reserve discussed later.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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. As of June 30, 2019, the City's investment in the State Treasurer's Investment Pool was unrated.

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.

Deposits

The City's carrying amount of deposits was \$24,363,700 and the bank balance was \$24,172,677.

The bank balances are collateralized or insured as follows:

Amount insured by FDIC or collateralized with State of Tennessee Bank Collateral Pool	<u>\$ 24,172,677</u>
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CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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	\$ 20,553,393
Restricted Assets - Cash	<u>3,810,307</u>
 Total per Statement of Net Position	 <u><u>\$ 24,363,700</u></u>

Restricted Assets – Cash includes cash funds restricted for customer deposits for Water and Sewer Fund and Electric Department Fund and cash restricted for debt escrow for capital improvements within the General Obligation Bond Proceeds – Capital Projects Fund.

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, 2019, funds were \$8,200,264. The weighted average maturity (days) range from 1 to 86 for LGIP investments. The total investment with the investment firm is recorded at fair value and is \$4,173,814 at June 30, 2019.

	<u>Carrying Amount</u>	<u>Fair Market Value or Amortized Cost</u>
Local Government Investment Pool - at amortized cost	\$ 8,200,264	8,200,264
 Bond Fund Investments - at fair market value		
Fixed Certificates of Deposit	3,397,897	3,397,897
Treasury Securities	<u>775,917</u>	<u>775,917</u>
 Total Investments	 <u><u>\$ 12,374,078</u></u>	 <u><u>12,374,078</u></u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Treasury Securities	AAA	<u>\$ 775,917</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	\$ 8,200,264	8,200,264	-	-	-
Fixed Certificates of Deposit	3,397,897	1,701,077	1,696,820	-	-
Treasury Securities	775,917	433,129	342,788	-	-
Total Investments	<u>\$ 12,374,078</u>	<u>10,334,470</u>	<u>2,039,608</u>	<u>0</u>	<u>0</u>

LGIP investments have weighted average maturity of 1 to 86 days.

Investments at fair value are as follows:

	<u>June 30, 2019</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	\$ 3,397,897	-	3,397,897	-
Treasury Securities	775,917	775,917	-	-
Total Investments by Fair Value	<u>\$ 4,173,814</u>	<u>775,917</u>	<u>3,397,897</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	\$ 1,822,131	7,424,985	9,247,116
Restricted Assets - Investments	3,126,962	-	3,126,962
Total	<u>\$ 4,949,093</u>	<u>7,424,985</u>	<u>12,374,078</u>

In addition to these funds, the City and Electric Department also have restricted investments as part of the TCRS Stabilization Reserve.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) - TCRS Stabilization Trust

Legal Provisions. The City is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The City has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the City.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) - TCRS Stabilization Trust (Continued)

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) - TCRS Stabilization Trust (Continued)

At June 30, 2019, the City had the following investments held by the trust on its behalf:

Investment	Fair Value June 30, 2019	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
Investments at Fair Value:					
U.S. Equity	\$ 14,995	14,995	-	-	-
Developed Market International Equity	6,772	6,772	-	-	-
Emerging Market International Equity	1,935	1,935	-	-	-
U.S. Fixed Income	9,675	-	9,675	-	-
Real Estate	4,838	-	-	4,838	-
Short-term Securities	483	-	483	-	-
Investments at Amortized Cost Using the NAV:					
Private Equity and Strategic Lending	9,675	-	-	-	9,675
Total	<u>\$ 48,373</u>	<u>23,702</u>	<u>10,158</u>	<u>4,838</u>	<u>9,675</u>

Investment	Weighted Average Maturity (days)	Maturities	Fair Value	
Investments at Fair Value:				
U.S. Equity	N/A	N/A	\$	14,995
Developed Market International Equity	N/A	N/A		6,772
Emerging Market International Equity	N/A	N/A		1,935
U.S. Fixed Income	N/A	N/A		9,675
Real Estate	N/A	N/A		4,838
Short-term Securities	N/A	N/A		483
Investments at Amortized Cost Using the NAV:				
Private Equity and Strategic Lending	N/A	N/A		9,675
Total			\$	<u>48,373</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) - TCRS Stabilization Trust (Continued)

The TCRS Stabilization reserve is split between governmental and business-type activities in the statement of net position. Amounts for governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities	Total
Restricted Assets - TCRS Stabilization Reserve	\$ 26,053	22,320	48,373
Total	\$ 26,053	22,320	48,373

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the City to pay retirement benefits of the City employees.

For further information concerning the City's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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	\$ 66,136	697,450	6,036,742	77,120	6,877,448
Taxes	5,240,846	-	-	-	5,240,846
Due from Other Governments	<u>1,384,078</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>1,384,134</u>
Gross Receivables	6,691,060	697,506	6,036,742	77,120	13,502,428
Less: Allowance for Uncollectibles	<u>(26,460)</u>	<u>(48,084)</u>	<u>(194,940)</u>	<u>(4,073)</u>	<u>(273,557)</u>
Total Receivables	<u>\$ 6,664,600</u>	<u>649,422</u>	<u>5,841,802</u>	<u>73,047</u>	<u>13,228,871</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, 2019 was \$635,928.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfer - Golf Course	Ending Balance
<u>Governmental Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,943,594	-	-	-	1,943,594
Construction in Progress	432,527	1,514,357	-	-	1,946,884
Library Infrastructure	428,853	-	-	-	428,853
Total Capital Assets, Not Being Depreciated	2,804,974	1,514,357	0	0	4,319,331
Capital Assets, Being Depreciated:					
Buildings and Improvements	7,959,251	877,629	-	626,281	9,463,161
Motor Equipment	5,130,388	131,342	(82,585)	46,225	5,225,370
Office Equipment	3,570,429	-	-	-	3,570,429
Infrastructure	11,492,897	265,534	-	1,444,494	13,202,925
Total Capital Assets, Being Depreciated	28,152,965	1,274,505	(82,585)	2,117,000	31,461,885
Less Accumulated Depreciation For:					
Buildings and Improvements	(4,542,043)	(391,070)	-	(624,404)	(5,557,517)
Motor Equipment	(3,806,599)	(368,412)	82,585	-	(4,092,426)
Office Equipment	(2,350,278)	(2,088)	-	-	(2,352,366)
Infrastructure	(8,001,937)	(208,521)	-	(1,086,667)	(9,297,125)
Total Accumulated Depreciation	(18,700,857)	(970,091)	82,585	(1,711,071)	(21,299,434)
Net Capital Assets, Being Depreciated	9,452,108	304,414	0	405,929	10,162,451
Net Governmental Activities Capital Assets	\$ 12,257,082	1,818,771	0	405,929	14,481,782

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,651,868	-	-	-	1,651,868
Water Right	3,604,167	-	(250,000)	-	3,354,167
Construction in Progress	446,181	54,763	-	-	500,944
Total Capital Assets, Not Being Depreciated	5,702,216	54,763	(250,000)	0	5,506,979
Capital Assets, Being Depreciated:					
Buildings and Improvements	27,065,048	85,657	(1,000)	(72,335)	27,077,370
Motor Equipment	14,854,727	1,381,513	(675,890)	(807,983)	14,752,367
Office Equipment	2,495,098	24,814	(5,940)	(13,442)	2,500,530
Infrastructure	119,137,409	1,660,132	(759,535)	(1,480,388)	118,557,618
Total Capital Assets, Being Depreciated	163,552,282	3,152,116	(1,442,365)	(2,374,148)	162,887,885
Less Accumulated Depreciation For:					
Buildings and Improvements	(15,781,973)	(723,614)	1,000	70,082	(16,434,505)
Motor Equipment	(7,705,981)	(840,263)	592,741	859,699	(7,093,804)
Office Equipment	(1,089,370)	(109,862)	4,008	(4,966)	(1,200,190)
Infrastructure	(42,736,144)	(3,368,136)	1,101,771	1,090,507	(43,912,002)
Total Accumulated Depreciation	(67,313,468)	(5,041,875)	1,699,520	2,015,322	(68,640,501)
Net Capital Assets, Being Depreciated	96,238,814	(1,889,759)	257,155	(358,826)	94,247,384
Net Business-Type Activities Capital Assets	\$ 101,941,030	(1,834,996)	7,155	(358,826)	99,754,363

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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	\$ 119,352
Public Safety	308,912
Public Works - including general infrastructure assets	354,518
Health and Welfare	1,040
Culture and Recreation	182,815
Drug Fund	3,454
Total Depreciation Expense - Governmental Activities	<u>\$ 970,091</u>
Business-Type Activities	
Electric Department	\$ 3,381,000
Water and Sewer	1,568,717
Sanitation	92,158
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,041,875</u>

A total of \$142,904 of depreciation expense for the Electric Department was charged to transportation expense.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT

During the year ended June 30, 2019, the following debt transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Debt	\$ 11,445,000	-	835,000	10,610,000	815,000
Premium	106,016	-	7,023	98,993	-
Total Bonds	11,551,016	0	842,023	10,708,993	815,000
Capital Leases	-	25,800	16,667	9,133	9,133
Compensated Absences	448,717	207,013	192,656	463,074	192,656
Notes Payable	189,396	450,800	189,396	450,800	58,714
Governmental Activities Long-Term Liabilities	12,189,129	683,613	1,240,742	11,632,000	1,075,503
Business-Type Activities:					
Tax Refunding and Improvement Bonds	8,494,372	-	848,969	7,645,403	847,050
Revenue Bonds	30,850,000	-	1,290,000	29,560,000	1,330,000
Premium	413,476	-	41,559	371,917	-
Total Bonds	39,757,848	0	2,180,528	37,577,320	2,177,050
Notes Payable	640,805	-	160,066	480,739	108,148
State Loans Payable	3,527,849	-	183,240	3,344,609	186,456
Compensated Absences	486,038	183,534	195,569	474,003	209,380
Business-Type Activities Long-Term Liabilities	44,412,540	183,534	2,719,403	41,876,671	2,681,034
Total Changes in Long-Term Debt	\$ 56,601,669	867,147	3,960,145	53,508,671	3,756,537

Changes in the Deferred Gain on Bond Refunding for the year ended June 30, 2019 are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Governmental Activities	\$ 116,113	-	(6,220)	109,893
Business-Type Activities	748,798	-	(93,266)	655,532
	\$ 864,911	0	(99,486)	765,425

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities

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:

<u>General Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2019</u>
General Obligation - Series 2010B	3/11/2010	\$ 505,000	3.00-3.75%	6/1/2020	\$ 35,000
General Obligation - Refunding Bond Series 2012	7/27/2012	2,145,000	0.25-1.75%	3/1/2020	100,000
General Obligation - School Refunding Bond Series 2013	9/20/2013	5,450,000	3.00-4.00%	3/1/2034	5,450,000
General Obligation - Refunding Bond Series 2017	3/10/2017	5,530,000	2.00-3.00%	9/1/2036	5,025,000
					<u>\$ 10,610,000</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Bonds – Series 2010B issued 3-11-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 35,000	1,138	36,138
	\$ 35,000	1,138	36,138

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
2020	\$ 100,000	1,750	101,750
	\$ 100,000	1,750	101,750

General Obligation School Refunding Bonds – Series 2013 issued 9-20-13 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ -	200,625	200,625
2021	-	200,625	200,625
2022	20,000	200,325	220,325
2023	40,000	199,425	239,425
2024	60,000	197,925	257,925
2025	530,000	189,075	719,075
2026	460,000	173,650	633,650
2027	475,000	157,863	632,863
2028	490,000	140,975	630,975
2029	510,000	122,838	632,838
2030	530,000	103,337	633,337
2031	550,000	82,400	632,400
2032	570,000	60,000	630,000
2033	595,000	36,700	631,700
2034	620,000	12,400	632,400
	\$ 5,450,000	2,078,163	7,528,163

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Bonds Payable (Continued)

General Obligation Refunding Bonds – Series 2017 issued 3-10-17 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 680,000	103,498	783,498
2021	630,000	90,398	720,398
2022	615,000	77,947	692,947
2023	610,000	65,697	675,697
2024	600,000	53,598	653,598
2025	170,000	45,898	215,898
2026	125,000	42,916	167,916
2027	130,000	40,171	170,171
2028	130,000	37,346	167,346
2029	135,000	34,293	169,293
2030	135,000	30,918	165,918
2031	140,000	27,445	167,445
2032	145,000	23,810	168,810
2033	150,000	20,050	170,050
2034	150,000	16,075	166,075
2035	155,000	11,881	166,881
2036	160,000	7,350	167,350
2037	165,000	2,475	167,475
	<u>\$ 5,025,000</u>	<u>731,766</u>	<u>5,756,766</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 815,000	307,011	1,122,011
2021	630,000	291,023	921,023
2022	635,000	278,272	913,272
2023	650,000	265,122	915,122
2024	660,000	251,523	911,523
2025	700,000	234,973	934,973
2026	585,000	216,566	801,566
2027	605,000	198,034	803,034
2028	620,000	178,321	798,321
2029	645,000	157,131	802,131
2030	665,000	134,255	799,255
2031	690,000	109,845	799,845
2032	715,000	83,810	798,810
2033	745,000	56,750	801,750
2034	770,000	28,475	798,475
2035	155,000	11,881	166,881
2036	160,000	7,350	167,350
2037	165,000	2,475	167,475
	<u>\$ 10,610,000</u>	<u>2,812,817</u>	<u>13,422,817</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (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, 2019</u>
Capital Outlay Note 2018	12/12/2018	\$ 450,800	3.07%	12/12/2025	\$ 450,800
					<u>\$ 450,800</u>

Capital Outlay Note issued 12/12/18 debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 58,714	13,840	72,554
2021	60,484	12,070	72,554
2022	62,374	10,180	72,554
2023	64,289	8,265	72,554
2024	66,262	6,292	72,554
2025	68,285	4,269	72,554
2026	70,392	2,161	72,553
	<u>\$ 450,800</u>	<u>57,077</u>	<u>507,877</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business -Type Activities

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 2017 Series principal and interest on the bonds are primarily payable from taxes to be levied upon all taxable property in the City without limitation as to rate or amount. For prompt payment of such principal and interest, the full faith, credit and resources of the City are irrevocably pledged. Debt service on the portion of the Bonds allocable to the water and sewer system is additionally payable from, but not secured by, certain net revenues of the water and sewer system of the City, including all improvements, extensions and additional thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system and to prior pledges of such net revenues in favor of the City. Debt service on the portion of the Bonds allocable to the City's school system is additionally payable from, but not secured by, the City's portion of the local option sales and use tax designated for schools, subject to any prior pledges. 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, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (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, 2019</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	\$ 3,195,403
Water and Sewer General Obligation Improvement Bonds - Series 2010B	4/30/2010	3,540,000	3.00-3.25%	6/1/2020	145,000
Water and Sewer General Obligation Improvement Bonds - Series 2010C	12/13/2010	2,460,000	3.00%	6/1/2020	130,000
Water and Sewer General Obligation Refunding Bonds - Series 2012	7/27/2012	2,190,000	0.25-2.00%	3/1/2023	445,000
Water and Sewer General Obligation Refunding Bonds - Series 2017	3/10/2017	3,965,000	2.00-2.50%	9/1/2029	3,730,000
<u>Electric Department Fund</u>					
Revenue Bonds - Series 2010	4/20/2010	20,585,000	1.75-6.25%	9/1/2035	19,580,000
Revenue Refunding Bonds - Series 2015A	3/19/2015	9,280,000	2.00-2.50%	9/1/2027	8,860,000
Revenue Refunding Bonds - Series 2015B	3/19/2015	1,905,000	2.00-3.00%	9/1/2022	1,120,000
					<u>\$ 37,205,403</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Bonds Payable (Continued)

Water and Sewer Revenue and Tax Refunding and Improvement Bonds - Series 2002B issued 6-12-02 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 337,050	537,950	875,000
2021	316,680	558,320	875,000
2022	297,841	577,159	875,000
2023	306,116	648,884	955,000
2024	302,525	702,475	1,005,000
2025	284,526	720,474	1,005,000
2026	268,687	736,313	1,005,000
2027	253,682	751,318	1,005,000
2028	239,471	765,529	1,005,000
2029	226,004	778,996	1,005,000
2030	213,844	791,156	1,005,000
2031	148,977	591,023	740,000
	<u>\$ 3,195,403</u>	<u>8,159,597</u>	<u>11,355,000</u>

Water and Sewer General Obligation Improvement Bonds - Series 2010B issued 4-30-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 145,000	4,713	149,713
	<u>\$ 145,000</u>	<u>4,713</u>	<u>149,713</u>

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
2020	\$ 130,000	4,713	134,713
	<u>\$ 130,000</u>	<u>4,713</u>	<u>134,713</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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
2020	\$ 115,000	8,613	123,613
2021	115,000	6,600	121,600
2022	115,000	4,300	119,300
2023	100,000	2,000	102,000
	\$ 445,000	21,513	466,513

Water and Sewer General Obligation Refunding Bonds - Series 2017 issued 3-10-17 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 120,000	78,628	198,628
2021	415,000	73,278	488,278
2022	420,000	64,928	484,928
2023	270,000	58,028	328,028
2024	335,000	51,978	386,978
2025	340,000	45,228	385,228
2026	350,000	38,240	388,240
2027	355,000	30,659	385,659
2028	365,000	22,833	387,833
2029	375,000	14,313	389,313
2030	385,000	4,813	389,813
	\$ 3,730,000	482,926	4,212,926

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Bonds Payable (Continued)

Revenue Bonds – Series 2010 issued 4-20-10 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 160,000	1,149,800	1,309,800
2021	160,000	1,142,500	1,302,500
2022	165,000	1,134,675	1,299,675
2023	180,000	1,126,050	1,306,050
2024	495,000	1,108,866	1,603,866
2025	510,000	1,082,793	1,592,793
2026	530,000	1,055,163	1,585,163
2027	545,000	1,025,931	1,570,931
2028	565,000	995,053	1,560,053
2029	1,770,000	928,275	2,698,275
2030	1,840,000	824,487	2,664,487
2031	1,910,000	716,676	2,626,676
2032	1,985,000	602,212	2,587,212
2033	2,060,000	480,863	2,540,863
2034	2,145,000	352,032	2,497,032
2035	2,235,000	215,156	2,450,156
2036	2,325,000	72,657	2,397,657
	<u>\$ 19,580,000</u>	<u>14,013,189</u>	<u>33,593,189</u>

Revenue Refunding Bonds – Series 2015A issued 3-19-15 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 900,000	191,050	1,091,050
2021	920,000	171,700	1,091,700
2022	940,000	150,775	1,090,775
2023	960,000	129,400	1,089,400
2024	980,000	108,800	1,088,800
2025	1,000,000	89,000	1,089,000
2026	1,025,000	66,187	1,091,187
2027	1,055,000	40,187	1,095,187
2028	1,080,000	13,500	1,093,500
	<u>\$ 8,860,000</u>	<u>960,599</u>	<u>9,820,599</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Bonds Payable (Continued)

Revenue Refunding Bonds – Series 2015B issued 3-19-15 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 270,000	28,200	298,200
2021	275,000	21,375	296,375
2022	285,000	12,975	297,975
2023	290,000	4,350	294,350
	<u>\$ 1,120,000</u>	<u>66,900</u>	<u>1,186,900</u>

Total debt service requirements to maturity for Business-Type Activities bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 2,177,050	2,003,667	4,180,717
2021	2,201,680	1,973,773	4,175,453
2022	2,222,841	1,944,812	4,167,653
2023	2,106,116	1,968,712	4,074,828
2024	2,112,525	1,972,119	4,084,644
2025	2,134,526	1,937,495	4,072,021
2026	2,173,687	1,895,903	4,069,590
2027	2,208,682	1,848,095	4,056,777
2028	2,249,471	1,796,915	4,046,386
2029	2,371,004	1,721,584	4,092,588
2030	2,438,844	1,620,456	4,059,300
2031	2,058,977	1,307,699	3,366,676
2032	1,985,000	602,212	2,587,212
2033	2,060,000	480,863	2,540,863
2034	2,145,000	352,032	2,497,032
2035	2,235,000	215,156	2,450,156
2036	2,325,000	72,657	2,397,657
	<u>\$ 37,205,403</u>	<u>23,714,150</u>	<u>60,919,553</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 \$5,327,813 through the term of the bonds.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Notes Payable

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

<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, 2019</u>
Capital Outlay Note	9/5/2013	\$ 300,000	2.48%	8/23/2023	\$ 159,507
Capital Outlay Note	8/1/2017	397,500	2.08%	8/1/2022	321,232
					<u>\$ 480,739</u>

Water and Sewer Capital Outlay Note issued 9-5-13 debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 30,297	4,006	34,303
2021	31,050	3,253	34,303
2022	31,840	2,463	34,303
2023	32,640	1,663	34,303
2024	33,680	829	34,509
	<u>\$ 159,507</u>	<u>12,214</u>	<u>171,721</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Notes Payable (Continued)

Water and Sewer Capital Outlay Note issued 8/1/2017 debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 77,851	6,666	84,517
2021	79,466	5,050	84,516
2022	81,115	3,401	84,516
2023	82,800	1,718	84,518
	\$ 321,232	16,835	338,067

Total debt service requirements to maturity for Business-Type Activities Capital Outlay Notes are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 108,148	10,672	118,820
2021	110,516	8,303	118,819
2022	112,955	5,864	118,819
2023	115,440	3,381	118,821
2024	33,680	829	34,509
	\$ 480,739	29,049	509,788

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 have been completed. The three completed projects are: SRF 2011-272 with a balance of \$2,279,254, DWO 2011-112 with a balance of \$688,607 and SRF Drinking Water DGI 12-120 Eastside with a balance of \$376,748. Total State Loans Payable as of June 30, 2019 is \$3,344,609.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

State Loans Payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 125,928	40,884	166,812
2021	128,268	38,544	166,812
2022	130,644	36,168	166,812
2023	133,068	33,744	166,812
2024	135,540	31,272	166,812
2025	138,060	28,752	166,812
2026	140,616	26,196	166,812
2027	143,220	23,592	166,812
2028	145,884	20,928	166,812
2029	148,584	18,228	166,812
2030	151,344	15,468	166,812
2031	154,152	12,660	166,812
2032	157,020	9,792	166,812
2033	159,936	6,876	166,812
2034	161,976	4,836	166,812
2035	125,014	8	125,022
	<u>\$ 2,279,254</u>	<u>347,948</u>	<u>2,627,202</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 38,796	13,356	52,152
2021	39,576	12,576	52,152
2022	40,380	11,772	52,152
2023	41,184	10,968	52,152
2024	42,012	10,140	52,152
2025	42,852	9,300	52,152
2026	43,716	8,436	52,152
2027	44,592	7,560	52,152
2028	45,492	6,660	52,152
2029	46,404	5,748	52,152
2030	47,340	4,812	52,152
2031	48,288	3,864	52,152
2032	49,260	2,892	52,152
2033	50,244	1,908	52,152
2034	51,252	900	52,152
2035	17,219	27	17,246
	<u>\$ 688,607</u>	<u>110,919</u>	<u>799,526</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

State Loans Payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 21,732	2,820	24,552
2021	21,900	2,652	24,552
2022	22,068	2,484	24,552
2023	22,236	2,316	24,552
2024	22,404	2,148	24,552
2025	22,584	1,968	24,552
2026	22,752	1,800	24,552
2027	22,932	1,620	24,552
2028	23,112	1,440	24,552
2029	23,280	1,272	24,552
2030	23,460	1,092	24,552
2031	23,652	900	24,552
2032	23,832	720	24,552
2033	24,012	540	24,552
2034	24,204	348	24,552
2035	24,384	168	24,552
2036	8,204	27	8,231
	<u>\$ 376,748</u>	<u>24,315</u>	<u>401,063</u>

Total Business-Type Activities state loans payable requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 186,456	57,060	243,516
2021	189,744	53,772	243,516
2022	193,092	50,424	243,516
2023	196,488	47,028	243,516
2024	199,956	43,560	243,516
2025	203,496	40,020	243,516
2026	207,084	36,432	243,516
2027	210,744	32,772	243,516
2028	214,488	29,028	243,516
2029	218,268	25,248	243,516
2030	222,144	21,372	243,516
2031	226,092	17,424	243,516
2032	230,112	13,404	243,516
2033	234,192	9,324	243,516
2034	237,432	6,084	243,516
2035	166,617	203	166,820
2036	8,204	27	8,231
	<u>\$ 3,344,609</u>	<u>483,182</u>	<u>3,827,791</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 8 - LEASE OBLIGATIONS

Capital Leases

The City leases various mowing and turf equipment from several financing companies. The economic substance of the leases is that the City is financing the acquisition of the assets through the leases.

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

Various Mowing Equipment	\$147,373
Less: Accumulated Depreciation	<u>(135,975)</u>
	<u>\$ 11,398</u>

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

The following presents future minimum lease payments as of June 30, 2019:

Year	
<u>Ending June 30</u>	
2020	\$ 9,382
Less: Interest	<u>(249)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 9,133</u></u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances:			
Nonspendable:			
Inventories	\$ 17,603	-	17,603
Prepaid Expense	2,813	-	2,813
Bolling Trust	-	25,000	25,000
Total Nonspendable	<u>20,416</u>	<u>25,000</u>	<u>45,416</u>
Restricted for:			
Library Donation	35,195	-	35,195
Police Community Relations	-	2,950	2,950
Department of Justice	-	59,269	59,269
Police Drug Enforcement Fund	-	167,174	167,174
Bonnie Kate Theatre	-	16,505	16,505
Fundraiser	-	2,253	2,253
Veteran's Walk of Honor Phase II	-	93,277	93,277
Bolling Trust	-	6,758	6,758
Total Restricted	<u>35,195</u>	<u>348,186</u>	<u>383,381</u>
Committed to:			
City Schools	814,337	-	814,337
Debt Service	2,114,488	920,318	3,034,806
Bond Funds - Equipment	2,376	-	2,376
Police Technology Fee	-	87,829	87,829
Total Committed	<u>2,931,201</u>	<u>1,008,147</u>	<u>3,939,348</u>
Assigned to:			
Police	3,176	-	3,176
Christmas Tree	180	-	180
Capital Outlay Note 2014	18,790	-	18,790
Capital Outlay Note 2016	1,718	-	1,718
Bridge	10,000	-	10,000
Grist Mill on Doe River	135	-	135
Industrial Development	231	-	231
Canopy/Raised Crosswalks	35,635	-	35,635
Tetrick Pavilion	400	-	400
Bond Projects	200	-	200
Linear Path Phase V	-	246,783	246,783
Joe O'Brien Field	-	3,266	3,266
Total Assigned	<u>70,465</u>	<u>250,049</u>	<u>320,514</u>
Unassigned	<u>3,389,533</u>	<u>-</u>	<u>3,389,533</u>
Total Fund Balances	<u><u>\$ 6,446,810</u></u>	<u><u>1,631,382</u></u>	<u><u>8,078,192</u></u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers at June 30, 2019 were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Water and Sewer	\$ 11,989	Reimbursement for Charges
General	Sanitation	14,156	Reimbursement for Charges
General	Police Drug Enforcement	1,665	Reimbursement for Charges
General	Electric Department	67,955	Reimbursement for Charges
Police Drug Enforcement	General	3,181	Reimbursement
Total		<u>\$ 98,946</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
Bonnie Kate Theatre Fund	General	6,000
Governmental Activities	Elizabethton Municipal Golf Course	380,129
General	Electric Department	<u>1,355,772</u>
Total		<u>\$ 1,755,901</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. The transfer to the Bonnie Kate Theatre Fund was for operations. The transfer from the Elizabethton Municipal Golf Course Fund was as result of City Council's action to close the separate fund (previously reported as an enterprise fund) to a department within the General Fund. The net \$380,129 transfer consists of the net capital assets of \$405,929 as of July 1, 2018 and the assumption of the capital lease as of July 1, 2018 in the amount of (\$25,800).

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - 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 percent and the employees of the Elizabethton Municipal Airport comprised approximately 2 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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
June 30, 2019

NOTE 11 - 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, 2018, 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	149
Inactive employees entitled to but not yet receiving benefits	171
Active employees	185
	<u>505</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 2011, the employee non-contributory status was reversed; therefore as of 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, 2019, the employer contributions for Elizabethton were \$1,184,411, 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, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued). Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31.00%
Developed Market International Equity	5.29%	14.00%
Emerging Market International Equity	6.36%	4.00%
Private Equity and Strategic Lending	5.79%	20.00%
U.S. Fixed Income	2.01%	20.00%
Real Estate	4.32%	10.00%
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 7.25 percent based on a blending of the factors described above.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - 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 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2017	\$ 28,589,625	24,559,790	4,029,835
Changes for the year:			
Service Cost	619,453	-	619,453
Interest	2,064,200	-	2,064,200
Differences Between Expected and Actual Experience	(791,642)	-	(791,642)
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,194,839	(1,194,839)
Contributions - Employees	-	109,916	(109,916)
Net Investment Income	-	2,030,790	(2,030,790)
Benefit Payments, Including Refunds of Employee Contributions	(1,474,712)	(1,474,712)	-
Administrative Expense	-	(18,418)	18,418
Net Changes	417,299	1,842,415	(1,425,116)
Balance at 6/30/2018	\$ 29,006,924	26,402,205	2,604,719

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) (Continued)

Changes in the Net Pension Liability (Continued)

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

City of Elizabethton	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net Pension Liability (Asset)	\$ 6,223,794	2,604,719	(434,887)

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

Pension Expense. For the year ended June 30, 2019, Elizabethton recognized pension expense of \$607,745.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, Elizabethton 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
Differences Between Expected and Actual Experience	\$ 86,974	966,923
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	108,676
Changes in Assumptions	774,118	-
Contributions Subsequent to the Measurement Date of June 30, 2018	1,184,411	-
	<u>\$ 2,045,503</u>	<u>1,075,599</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) (Continued)

**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, 2018," 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:		
2020	\$	120,423
2021		(65,836)
2022		(255,222)
2023		(54,146)
2024		40,274
Thereafter		-

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
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) – Hybrid

General Information about the Pension Plan

Plan Description. Employees of Elizabethton – Hybrid with Cost Controls 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 percent and the employees of the Elizabethton Municipal Airport comprised approximately 2 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided. *Tennessee Code Annotated*, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	4
Active employees	44
	<hr/> 48 <hr/>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) – Hybrid (Continued)

General Information about the Pension Plan (Continued)

Contributions. Contributions for employees 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. Employees contribute 5 percent of salary. Elizabethton-Hybrid With Cost Controls makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. By law, employer contributions are required to be paid. The TCRS may intercept Elizabethton-Hybrid With Cost Controls' state shared taxes if required employer contributions are not remitted. Employer contributions by Elizabethton-Hybrid with Cost Controls for the year ended June 30, 2019 to the Public Employee Retirement Plan were \$69,763 based on a rate of 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.

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability (Asset). Elizabethton-Hybrid With Cost Controls' net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of the date.

Actuarial Assumptions. The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) – Hybrid (Continued)

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31.00%
Developed Market International Equity	5.29%	14.00%
Emerging Market International Equity	6.36%	4.00%
Private Equity and Strategic Lending	5.79%	20.00%
U.S. Fixed Income	2.01%	20.00%
Real Estate	4.32%	10.00%
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 7.25 percent based on a blending of the factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Elizabethton-Hybrid With Cost Controls 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
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) - Hybrid (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balance at 6/30/2017	\$ 16,865	24,310	(7,445)
Changes for the year:			
Service Cost	24,287	-	24,287
Interest	2,984	-	2,984
Differences Between Expected and Actual Experience	48,533	-	48,533
Changes in Assumptions	-	-	-
Contributions - Employer	-	46,689	(46,689)
Contributions - Employee	-	58,361	(58,361)
Net Investment Income	-	6,233	(6,233)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	(3,497)	3,497
Net Changes	75,804	107,786	(31,982)
Balance at 6/30/2018	\$ 92,669	132,096	(39,427)

The TCRS-Hybrid is allocated to the Primary Government and the Airport based upon contribution data of 98 and 2 percent respectively. The separately issued report of the Airport, audited by other auditors, reflected a net pension liability for the TCRS-Hybrid plan of \$610.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Elizabethton-Hybrid With Cost Controls calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
City of Elizabethton			
Net Pension Liability (Asset)	\$ (10,123)	(39,427)	(60,915)

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, 2019, Elizabethton-Hybrid With Cost Controls recognized negative pension expense of \$27,911.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Tennessee Consolidated Retirement System (TCRS) – Hybrid (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. For the year ended June 30, 2019, Elizabethton-Hybrid With Cost Controls 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
Differences Between Expected and Actual Experience	\$ 57,504	-
Changes in Assumptions	266	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	896
Contributions Subsequent to the Measurement Date of June 30, 2018	69,763	-
	<u>\$ 127,533</u>	<u>896</u>

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2020	\$ 5,126
2021	5,126
2022	5,125
2023	5,214
2024	5,372
Thereafter	30,911

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
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

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 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 57th 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, 2017, 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	14
Active employees	<u>20</u>
	<u><u>92</u></u>

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

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, 2018.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Central Service Association (CSA) (Continued)

Actuarial Assumptions

The total pension liability as of October 1, 2018 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

Measurement Date	October 1, 2018
Discount Rate	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Incidence of Disability	50% 1952 Disability Table, Period 2, Benefit 5, with a 6 month waiting period
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 80% 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 male is 3 years older than his female spouse.
Cost-of-Living Increase	Not Applicable
Date of Participation Freeze	January 12, 2007
Actuarial Cost Method	Individual entry age normal, frozen initial liability level percentage of pay
Remaining Amortization Period	10 years
Asset Valuation	Market Value

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Central Service Association (CSA) (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total pension liability was 7.00 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 that 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	50.00%	2.54% - 2.89%
Large Cap	20.00%	6.93% - 10.31%
Mid Cap	10.00%	7.84% - 12.52%
Small Cap	8.00%	8.90% - 15.38%
Real Estate	2.00%	7.61% - 12.69%
International Equity	10.00%	6.92% - 11.35%
	<u>100.00%</u>	

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Central Service Association (CSA) (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 10/1/2017	\$ 17,353,128	12,189,775	5,163,353
Changes for the year:			
Service Cost	97,638	-	97,638
Interest	1,179,706	-	1,179,706
Differences Between Expected and Actual Experience	155,068	-	155,068
Assumption Changes	92,740	-	92,740
Contributions - Employer	-	975,103	(975,103)
Contributions - Employees	-	22,048	(22,048)
Net Investment Income	-	786,223	(786,223)
Benefit Payments, Including Refunds of Employee Contributions	(1,195,658)	(1,195,658)	-
Other Charges	-	-	-
Net Changes	329,494	587,716	(258,222)
Balance at 10/1/2018	\$ 17,682,622	12,777,491	4,905,131

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Central Service Association (CSA) (Continued)

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%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability	\$ 6,837,755	4,905,131	3,267,149

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

Pension Expense

For the year ended June 30, 2019, the Electric Department recognized pension expense of \$532,282.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, 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	\$ 508,255	430,244
Changes in Assumptions	145,284	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	100,528
Contributions Subsequent to the Measurement Date of October 1, 2018	737,475	-
	<u>\$ 1,391,014</u>	<u>530,772</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Central Service Association (CSA) (Continued)

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 October 1, 2018," will be recognized as a reduction to net pension liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 45,008
2020	(83,657)
2021	(53,491)
2022	138,071
2023	76,836
Thereafter	-

Reconciliation of Pension Plans to the Statement of Net Position:

	Net Pension Liability (Asset)		
	TCRS Plan	TCRS-Hybrid Plan	CSA Plan
Governmental Activities	\$ 1,458,303	(23,346)	-
Business-Type Activities			
Elizabethton Water and Sewer Fund	551,031	(8,341)	-
Elizabethton Electric Department	479,620	(7,260)	4,905,131
Elizabethton Sanitation Fund	72,034	(1,090)	-
Total Business-Type Activities	1,102,685	(16,691)	4,905,131
Total Primary Government	2,560,988	(40,037)	4,905,131
Discretely Presented Component Unit			
Elizabethton Municipal Airport	43,731	610	-
Total Discretely Presented Component Unit	43,731	610	0
Total Net Pension Liability (Asset)	\$ 2,604,719	(39,427)	4,905,131

The separately issued Airport report, audited by other auditors, reported a TCRS-Hybrid Net Pension Liability of \$610 whereas the total TCRS-Hybrid Plan as a whole is a Net Pension Asset of \$(39,427).

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB)

Plan Types

The City of Elizabethton, Tennessee, offers post-employment health care benefits to certain eligible employees. Full service eligible retirees under the TCRS/Electric System Legacy Plan age 60 or older with continuous service of at least 20 years, but less than 30 years have a maximum of 60 months subsidized coverage. Employees under the TCRS Hybrid Plan with 30 or more years of service have no age requirement but have a maximum subsidy period of 120 months. The City will pay approximately 98% of individual cost, but no additional costs toward family coverage. Benefits cease at age 65.

Employees Covered by Benefit Terms. At of the June 30, 2019 measurement date, the following employees were covered by benefit terms:

Active Full-Time	243
Active Part-Time	22
Retirees	<u>22</u>
Total	287

Benefits Provided. 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. The amount of the retirement bonus is equal to \$1,000 for 10 years of service, \$1,500 for 15 years of service, \$2,500 for 20 years of service, \$3,000 for 25 years of service and \$3,500 for 30 or more years of service. An additional retirement gift of \$25 per year of continuous full-time City service shall be paid at the time of retirement to any employee who meets retirement eligibility.

Funding Policy

The City maintains an irrevocable trust (Trust) in order to prefund the OPEB Obligations. A separately issued audit report of the Trust is not available as the financial statements of the Trust are reflected within the audit report of the City. The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution which is equal to the service cost plus a 30 year level dollar amortization of the net OPEB asset as of the beginning of the year and is calculated in accordance with the parameters of GASB Statement No. 75. Annually, during the budget process, City Council budgets an amount to be paid into the Trust. As noted above, the City will pay up to the level of the single premium paid for full-time City employees until the retiree reaches age 65. Any changes in such terms would be approved by the City Council. In addition, the OPEB Trust Board has the sole and exclusive responsibility of the employer to determine the level of contributions the employer will make to the trust for the purpose of financing the post-employment benefits. For the fiscal year ended June 30, 2019, the City contributed \$45,000 to the plan.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Summary of Significant Accounting Policies

Basis of Accounting. The Post-Employment Benefits Trust Fund's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

Investments

Investment Policy. The OPEB Trust Board (Board) has the responsibility for investing the assets of the OPEB trust. The Board has full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities or investments of the assets of the OPEB Trust in any instrument, obligation, security or property that constitutes legal investments for assets of the Trust as defined in applicable law, including TCA Section 8-50-1201 et seq., as amended, provided that such investment is authorized in the Investment Policy adopted by the City Council.

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was -0.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Net OPEB Liability (Asset)

The City's net OPEB liability (asset) of (\$778,541) was measured based on an actuarial valuation date of June 30, 2019 and a measurement date of June 30, 2019.

Actuarial assumptions and other inputs. The Net OPEB Liability (Asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Cost Method. Entry Age Normal

Investment Rate of Return. Plan investments were expected to earn a return of 4.0%.

The long-term expected rate of return on OPEB plan investments is based upon the adopted investment policy of the City and OPEB Board which states the portfolio should obtain a comparable rate of return during a market/economic environment of stable interest rates. The projection of cash flows used to determine the rate assumed contributions will be made at rates equal to the actuarially determined contributions rates.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Net OPEB Liability (Asset) (Continued)

In order to achieve balance between risk and return for optimal diversification, the assets are allocated into broad classes within the fixed income universe and diversified with the intent to minimize the risk of investment losses as noted below:

<u>Asset Category</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash	0%	5%	10%
Corporate Bonds	0%	25%	40%
Taxable Municipal Bonds	0%	40%	50%
Agencies/MBS Pass Thru	0%	30%	40%

<u>Investment Type</u>	<u>6/30/2019</u>	<u>Fair Value Measurements 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>
Corporate Bonds	\$ 1,638,836	1,638,836	-	-
Municipal Bonds	1,511,201	1,511,201	-	-
U.S. Treasury	575,216	575,216	-	-
Asset Backed Securities	297,285	297,285	-	-
Money Market	159,844	159,844	-	-
Total OPEB Trust Investment	<u>\$ 4,182,382</u>	<u>4,182,382</u>	<u>0</u>	<u>0</u>

Discount Assumption. A discount rate of 4.0% was used, and is based upon the plan's current liability (asset) allocation which consists mostly of corporate and municipal bonds.

Healthcare Trend Assumption. Medical pre-65 costs were assumed to increase by 7.0% for fiscal 2019 decreasing linearly to an ultimate trend rate of 4.5% after 7 years. The prior year's valuation used a trend rate of 8% trending to an ultimate rate of 4.5%.

Mortality. RPH-2014 Adjusted to 2016 Total Dataset Headcount-weighted Mortality with scale MP-2018 and based on the most recent study from the Society of Actuaries.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Net OPEB Liability (Asset) (Continued)

Disability, Retirement and Turnover. Rates of termination of employment for reasons other than retirement and death are rates for political subdivisions from the TCRS Annual Report. Disability Rates are as follows:

<u>Age</u>	<u>30</u>	<u>40</u>	<u>50</u>
Male	0.32%	0.58%	3.06%
Female	0.32%	0.59%	3.07%

Per Capita Benefit Costs. Medical premium equivalent rates were age-adjusted based on actuarial ages of enrolled participants and the aging factors derived from the 2013 Society of Actuaries Study, "Health Care Costs from Birth to Death."

Retirement Age. Retirement Rates are based on the TCRS Annual Report as follows:

<u>Age</u>	<u>Full Retirement</u>	<u>Early Retirement</u>
47-49	0.0%	15%
50-59	10.0%	15%
60	13.5%	20%
61	19.0%	20%
62	28.5%	50%
63	20.5%	50%
64	13.5%	50%
65-67	30.0%	100%
68+	100%	100%

Core Inflation Assumption. Inflation rates were expected to increase at a rate of 3.0%.

Salary Increases. Future salaries were expected to increase at an annual rate of 3.0%.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at 6/30/2018	\$ 3,348,224	3,943,023	(594,799)
Changes for the year:			
Service Cost	124,841	-	124,841
Interest	129,782	-	129,782
Differences Between Expected and Actual Experience	(56,538)	-	(56,538)
Plan Changes	-	-	-
Assumption Changes	66,964	-	66,964
Contributions - Employer	-	207,322	(207,322)
Contributions - Employees	-	-	-
Net Investment Income	-	274,383	(274,383)
Benefit Payments, Including Refunds of Employee Contributions	(209,435)	(209,435)	-
Administrative Expense	-	(32,914)	32,914
Net Changes	55,614	239,356	(183,742)
Balance at 6/30/2019	\$ 3,403,838	4,182,379	(778,541)

OPEB Plan's Fiduciary Net Position as a percentage of Net OPEB Liability (Asset): 118%

Sensitivity of the Net OPEB Liability (Asset) to changes in the discount rate

The following presents the Net OPEB Liability (Asset) of the City as well as what the City's Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate:

	1.00% Decrease (3%)	Current Discount Rate (4%)	1.00% Increase (5%)
City of Elizabethton			
Net OPEB Liability (Asset)	\$ (480,450)	(778,541)	(1,044,281)

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability (Asset) (Continued)

Sensitivity of the Net OPEB Liability (Asset) to changes in the healthcare cost trend rates

The following presents the Net OPEB Liability (Asset) of the City as well as what the City's Net OPEB Liability (Asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7% to 4%) or 1-percentage-point higher (9% to 6.5%) than the current healthcare cost trend rates:

	1.00% Decrease (6% to 3.5%)	Current Discount Rate (7% to 4.5%)	1.00% Increase (8% to 5.5%)
City of Elizabethton			
Net OPEB Liability (Asset)	\$ (1,077,764)	(778,541)	(426,947)

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,515,877.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	145,254
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	263	-
Changes in Assumptions	59,692	257,637
	<u>\$ 59,955</u>	<u>402,891</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year Ended June 30:	
2020	\$ (41,223)
2021	(41,223)
2022	(41,257)
2023	(72,638)
2024	(49,166)
Thereafter	(97,429)

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

NOTE 12 - 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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 - LITIGATION (CONTINUED)

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).

NOTE 13 - 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 TML 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 TML 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 14 - DISCRETELY PRESENTED COMPONENT UNITS

Elizabethton Municipal Airport

Capital Assets

Capital assets activity for the Airport for the year ended June 30, 2019, was as follows:

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Municipal Airport (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 5,239,338	22,140	-	5,261,478
Construction in Progress	1,321,979	55,603	(17,251)	1,360,331
Total Capital Assets, Not Being Depreciated	6,561,317	77,743	(17,251)	6,621,809
Capital Assets, Being Depreciated:				
Land Improvements	5,561,984	71,018	-	5,633,002
Hangars and Terminal Building	2,832,725	51,488	-	2,884,213
Major Moveable Equipment	453,026	-	-	453,026
Total Capital Assets, Being Depreciated	8,847,735	122,506	0	8,970,241
Less Accumulated Depreciation For:				
Land Improvements	(1,265,569)	(143,393)	-	(1,408,962)
Hangars and Terminal Building	(1,255,636)	(90,190)	-	(1,345,826)
Major Moveable Equipment	(412,896)	(18,868)	-	(431,764)
Total Accumulated Depreciation	(2,934,101)	(252,451)	0	(3,186,552)
Total Capital Assets, Being Depreciated, Net	5,913,634	(129,945)	0	5,783,689
Total Capital Assets, Net	\$ 12,474,951	(52,202)	(17,251)	12,405,498

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Municipal Airport (Continued)

Long-Term Liabilities

During the year ended June 30, 2019, the following debt transactions occurred for the Airport:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
2018 Ramp Expansion Loan	\$ 400,000	-	7,762	392,238	18,871
Compensated Absences	24,965	16,385	11,658	29,692	14,075
	<u>\$ 424,965</u>	<u>16,385</u>	<u>19,420</u>	<u>421,930</u>	<u>32,946</u>

The interest rate on the 2018 ramp expansion loan is fixed at 2.57% through January 2024, and will be variable thereafter. The estimated debt service requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 18,871	10,026	28,897
2021	19,396	9,501	28,897
2022	19,908	8,990	28,898
2023	20,432	8,465	28,897
2024	20,950	7,948	28,898
2025 - 2029	113,430	31,056	144,486
2030 - 2034	129,204	15,284	144,488
2035 - 2038	50,047	1,225	51,272
	<u>\$ 392,238</u>	<u>92,495</u>	<u>484,733</u>

Note: The separately issued report of the Municipal Airport, audited by other auditors, did not disclose a detailed amortization schedule of debt service payments by individual fiscal year.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 303,700	-	-	303,700
Construction in Progress	395,661	121,990	(5,975)	511,676
Total Capital Assets, Not Being Depreciated	699,361	121,990	(5,975)	815,376
Capital Assets, Being Depreciated				
Buildings and Improvements	30,771,423	133,436	5,975	30,910,834
Motor Equipment	2,115,930	190,333	-	2,306,263
Total Capital Assets, Being Depreciated	32,887,353	323,769	5,975	33,217,097
Less Accumulated Depreciation For:				
Buildings and Improvements	(12,007,322)	(597,118)	-	(12,604,440)
Motor Equipment	(1,245,856)	(173,416)	-	(1,419,272)
Total Accumulated Depreciation	(13,253,178)	(770,534)	0	(14,023,712)
Net Capital Assets, Being Depreciated	19,634,175	(446,765)	5,975	19,193,385
Net Total Capital Assets	\$ 20,333,536	(324,775)	0	20,008,761

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Long-Term Liabilities

During the year ended June 30, 2019, 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	\$ 59,303	12,487	15,314	56,476	15,314
Governmental Activities Long-Term Liabilities	\$ 59,303	12,487	15,314	56,476	15,314

Retirement Commitments – Agency Plan

General Information about the Pension Plan - Agency Plan

Plan Description. Employees of the Elizabethton Board of Education are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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 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
June 30, 2019

NOTE 14 - 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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	126
Inactive employees entitled to but not yet receiving benefits	185
Active employees	<u>111</u>
	<u><u>422</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Elizabethton 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, 2019, the employer contributions for the Elizabethton Board of Education were \$237,832 based on a rate of 9.24 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Elizabethton 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

The Elizabethton Board of Education's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Agency Plan (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions. The total pension liability as of the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Agency Plan (Continued)

Net Pension Liability (Continued)

Changes of Assumptions (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Elizabethton 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
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Agency Plan (Continued)

Changes in the Net Pension Liability

		Increase (Decrease) Plan	
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2017	\$ 9,432,364	8,851,482	580,882
Changes for the year:			
Service Cost	245,124	-	245,124
Interest	685,089	-	685,089
Differences Between Expected and Actual Experience	25,550	-	25,550
Contributions - Employer	-	212,965	(212,965)
Contributions - Employees	-	123,962	(123,962)
Net Investment Income	-	729,347	(729,347)
Benefit Payments, Including Refunds of Employee Contributions	(455,957)	(455,957)	-
Administrative Expense	-	(10,574)	10,574
Net Changes	<u>499,806</u>	<u>599,743</u>	<u>(99,937)</u>
Balance at 6/30/2018	<u><u>\$ 9,932,170</u></u>	<u><u>9,451,225</u></u>	<u><u>480,945</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability (asset) of Elizabethton City Board of Education calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Agency Plan (Continued)

Changes in the Net Pension Liability (Continued)

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools'			
Net Pension Liability (Asset)	\$ 1,715,168	480,945	(556,595)

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

Pension Expense. For the year ended June 30, 2019, the Elizabethton Board of Education recognized pension expense of \$88,633.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the Elizabethton 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
Differences Between Expected and Actual Experience	\$ 20,874	23,886
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	34,881
Changes in Assumptions	111,729	-
Contributions Subsequent to the Measurement Date of June 30, 2018	237,832	-
	<u>\$ 370,435</u>	<u>58,767</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Agency Plan (Continued)

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, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:		
2020	\$	118,390
2021		47,378
2022		(73,471)
2023		(18,461)
2024		-
Thereafter		-

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

Payable to the Pension Plan. At June 30, 2019, the Elizabethton Board of Education reported a payable of \$43,618 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Retirement Commitments - Teacher Retirement Plan

General Information about the Pension Plan

Plan Description. 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Elizabethton City Board of with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Teacher Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued). 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.

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 years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half 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.

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 LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Elizabethton Board of Education for the year ended June 30, 2019 to the Teacher Retirement Plan were \$39,357 which is 1.94 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
June 30, 2019

NOTE 14 - 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

Pension Liabilities (Assets). At June 30, 2019, the Elizabethton Board of Education reported a liability (asset) of (\$88,345) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Elizabethton Board of Education's proportion of the net pension liability (asset) was based on the Elizabethton Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 the Elizabethton Board of Education's proportion was 0.194796 percent. The proportion measured as of June 30, 2017 was 0.203596 percent.

Pension Expense. For the year ended June 30, 2019 the Elizabethton Board of Education recognized pension expense of \$30,661.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the Elizabethton 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	\$ 5,004	3,519
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,990
Changes in Assumptions	4,168	-
Changes in Proportion of Net Pension Liability (Asset)	5,806	-
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018	39,357	-
	<u>54,335</u>	<u>8,509</u>
	<u>\$ 54,335</u>	<u>8,509</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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 and Deferred Inflows of Resources (Continued)

The Elizabethton Board of Education's employer contributions of \$39,357, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2020. 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:		
2020	\$	(156)
2021		(314)
2022		(1,026)
2023		278
2024		943
Thereafter		6,744

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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). The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
		<hr/> 100%

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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)

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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 the Elizabethton Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Elizabethton Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1- percentage-point higher (8.25 percent) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 13,658	(88,345)	(163,498)

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

Payable to the Pension Plan

At June 30, 2019, the Elizabethton Board of Education reported a payable of \$30,441 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Teacher Legacy Pension Plan

General Information about the Pension Plan

Plan Description. The Tennessee Consolidated Retirement System (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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by the Elizabethton Board of Education with membership in the TCRS before July 1, 2014 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.

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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments – Teacher Legacy Pension 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. Teachers contribute 5 percent of salary. The 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 the Elizabethton Board of Education for the year ended June 30, 2019 to the Teacher Legacy Pension Plan were \$1,028,857 which is 11.28 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets). At June 30, 2019, the Elizabethton Board of Education reported a liability (asset) of (\$1,003,518) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Elizabethton Board of Education's proportion of the net pension liability was based on the Elizabethton Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 the Elizabethton Board of Education's proportion was 0.285178 percent. The proportion measured as of June 30, 2017 was 0.291174 percent.

Negative Pension Expense. For the year ended June 30, 2019, the Elizabethton Board of Education recognized negative pension expense of (\$234,410).

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the Elizabethton Board of Education 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
June 30, 2019

NOTE 14 - 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)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 202,845	1,353,826
Changes in Assumptions	592,683	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	218,407
Changes in Proportion of Net Pension Liability (Asset)	152,938	16,354
Contributions Subsequent to the Measurement Date of June 30, 2018	1,028,857	-
	<u>\$ 1,977,323</u>	<u>1,588,587</u>

The Elizabethton City School's employer contributions of \$1,028,857 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 fiscal year ended June 30, 2020. 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:	
2020	\$ 259,720
2021	(267,626)
2022	(535,349)
2023	(96,866)

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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)

Asset Class	Long-Term Expected	
	Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the 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 the Elizabethton Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Elizabethton Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - 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)

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 7,735,751	(1,003,518)	(8,234,046)

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

Payable to the Pension Plan

At June 30, 2019, the Elizabethton City Elizabethton Board of Education reported a payable of \$345,760 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Retirement Commitments – Other Post-Employment Healthcare Plans

Teacher Group Plan

Plan Description. Employees of the Schools, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Teacher Group Plan (Continued)

Benefits Provided. The Elizabethton Board of Education offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Payment by the Elizabethton Board of Education of individual health and dental insurance coverage shall be available for any retiring employee at the same cost as for other employees for five years or until the employee reaches age 65 (whichever occurs first). The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms. At July 1, 2018, the following employees of the Elizabethton Board of Education were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	32
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	<u>256</u>
	<u><u>289</u></u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Elizabethton Board of Education paid \$322,995 to the TGOP for OPEB benefits as they came due.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Teacher Group Plan (Continued)

Total OPEB Liability

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75% for 2019, decreasing annually to an ultimate rate of 3.85% for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Teacher Group Plan (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2017	\$ 5,933,858
Changes for the year:	
Service Cost	300,296
Interest	215,294
Differences Between Expected and Actual Experience	1,113,535
Changes in Assumptions	471,548
Benefit Payments	(373,156)
Net Changes	1,727,517
Balance at 6/30/2018	\$ 7,661,375
Nonemployee contributing entities proportionate share of the collective total OPEB liability	\$ 1,562,093
Employer's proportionate share of the collective total OPEB liability	\$ 6,099,282
Employer's proportion of the collective total OPEB liability	79.61%

The Elizabethton Board of Education has special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The Elizabethton Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployee contributing entities, actuarially determined. The proportion changed 8.51% from the prior measurement date. The Elizabethton Board of Education's recognized \$79,921 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for School's retirees.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Teacher Group Plan (Continued)

Changes in Collective Total OPEB Liability (Continued)

Changes in Assumptions. The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
Proportionate share of collective total OPEB liability	\$ 6,525,876	6,099,282	5,696,481

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	(5.75% decreasing to 2.85%)	Current Healthcare Cost Trend Rate (6.75% decreasing to 3.85%)	1.00% Increase (7.75% decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ 5,462,056	6,099,282	6,846,725

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Teacher Group Plan (Continued)

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

OPEB Expense. For the fiscal year ended June, 30, 2019, the Elizabethton Board of Education recognized OPEB expense of \$643,526.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the fiscal year ended June, 30, 2019, the Elizabethton Board of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions and Other Inputs	\$ 338,599	174,914
Differences Between Expected and Actual Experience	799,583	-
Changes in Proportion	471,858	-
Benefits Paid After the Measurement Date by Employer	322,995	-
	<u>\$ 1,933,035</u>	<u>174,914</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ 153,100
2020	153,100
2021	153,100
2022	153,100
2023	153,100
Thereafter	669,626

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Closed Tennessee Plan

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms. At July 1, 2018, the following employees of the Elizabethton Board of Education was covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	49
Inactive employees entitled to but not yet receiving benefit payments	35
Active employees	192
	<u>276</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Closed Tennessee Plan (Continued)

General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms (Continued). In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Elizabethton Board of Education did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Closed Tennessee Plan (Continued)

Total OPEB Liability (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2017	\$ 638,151
Changes for the year:	
Service Cost	12,860
Interest	22,714
Differences Between Expected and Actual Experience	(72,865)
Changes in Assumptions	(4,380)
Benefit Payments	(25,970)
Net Changes	<u>(67,641)</u>
Balance at 6/30/2018	<u>\$ 570,510</u>
Nonemployee contributing entities proportionate share of the collective total OPEB liability	\$ 570,510
Employer's proportionate share of the collective total OPEB liability	\$ 0
Employer's proportion of the collective total OPEB liability	0.00%

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments - Other Post-Employment Healthcare Plans (Continued)

Closed Tennessee Plan (Continued)

Total OPEB Liability (Continued)

The Elizabethton Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The Elizabethton Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Elizabethton Board of Education's proportion of 0% did not change from the prior measurement date. The Elizabethton Board of Education recognized \$30,090 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the Board of Education's retired employees.

Changes in Assumptions. The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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

OPEB Expense. For the fiscal year ended June, 30, 2019, the Elizabethton Board of Education recognized OPEB expense of \$20,866.

Total OPEB Liability and deferred inflows/outflows are reported on the Statement of Net Position as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	64,585
Changes in Assumptions and Other Inputs	-	51,323
	<u>\$ 0</u>	<u>115,908</u>

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Schools. The Schools have recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund in the amount of \$112,180.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 15 – 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 \$35,697 and \$68,203, respectively, for the year ended June 30, 2019.

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

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.

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.

In accordance with the provisions of GASB Statement No. 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, 2019, the asset balance is \$3,354,167. The current year amortization totals \$250,000.

NOTE 17 - 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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 18 – PRIOR PERIOD RESTATEMENT

When the Golf Course was reclassified from a discretely presented component unit to an enterprise fund of the City as of the June 30, 2018 audit date, an additional \$46,036 should have been reflected for operations and as a result, a prior period restatement of (\$46,036) is reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 19 - TRANSFER OF GOLF COURSE OPERATIONS

On April 1, 2018 the City of Elizabethton (the City) passed a resolution abolishing the Golf Course's Board of Directors. On that date, the Golf Course became an enterprise fund of the City at that time. During fiscal year 2019, City Council voted to close this separate fund and account for the Golf Course as a division of the General Fund. As a result, the net capital assets as of July 1, 2018 in the amount of \$405,929 and a capital lease in the amount of (\$25,800) was in effect transferred to the Governmental Activities for a net transaction of \$380,129. The City owns the Golf Course including the property, plant and equipment. Day-to-day operations, administration, marketing and oversight of the Golf Course has been outsourced to a third party in which the City pays a fee. The City does not receive any net revenues and no City employees work at the Golf Course. The City's on-going financial commitment to the Golf Course consists of the contracted fees per the agreement with the third party.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the City issued G.O. Refunding Bonds, Series 2019 in the amount of \$17,240,000 to refund Electric Department – Series 2010 Revenue Refunding Bonds.

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

	2014	2015	2016	2017	2018
TOTAL PENSION LIABILITY					
Service Cost	\$ 538,390	\$ 539,534	\$ 542,239	\$ 595,046	\$ 619,453
Interest	1,796,722	1,852,588	1,905,343	1,961,144	2,064,200
Changes in Benefit Terms	-	-	-	-	-
Differences Between Actual and Expected Experience	(138,560)	(222,980)	(301,118)	121,764	(791,642)
Change of Assumptions	-	-	-	1,083,764	-
Benefit Payments, Including Refunds of Employee Contributions	(1,428,030)	(1,477,618)	(1,459,261)	(1,451,266)	(1,474,712)
NET CHANGE IN TOTAL PENSION LIABILITY	768,522	691,524	687,203	2,310,452	417,299
TOTAL PENSION LIABILITY - BEGINNING	24,131,924	24,900,446	25,591,970	26,279,173	28,589,625
TOTAL PENSION LIABILITY - ENDING (a)	\$ 24,900,446	\$ 25,591,970	\$ 26,279,173	\$ 28,589,625	\$ 29,006,924
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 1,180,454	\$ 1,213,361	\$ 1,262,754	\$ 1,305,753	\$ 1,194,839
Contributions - Employees	66,896	89,281	115,863	121,933	109,916
Net Investment Income	3,022,920	648,875	572,289	2,502,000	2,030,790
Benefit Payments, Including Refunds of Employee Contributions	(1,428,030)	(1,477,618)	(1,459,261)	(1,451,266)	(1,474,712)
Administrative Expense	(8,625)	(11,348)	(16,936)	(17,952)	(18,418)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,833,615	462,551	474,709	2,460,468	1,842,415
PLAN FIDUCIARY NET POSITION - BEGINNING	18,328,447	21,162,062	21,624,613	22,099,322	24,559,790
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 21,162,062	\$ 21,624,613	\$ 22,099,322	\$ 24,559,790	\$ 26,402,205
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 3,738,384	\$ 3,967,357	\$ 4,179,851	\$ 4,029,835	\$ 2,604,719
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	84.99%	84.50%	84.09%	85.90%	91.02%
COVERED PAYROLL	\$ 8,079,780	\$ 8,371,254	\$ 8,714,661	\$ 9,011,405	\$ 8,245,956
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	46.27%	47.39%	47.96%	44.72%	31.59%

(Continued)

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

Notes to Schedule

Changes of Assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See Independent Auditors' Report.

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

	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 1,180,454	\$ 1,213,361	\$ 1,262,754	\$ 1,305,753	\$ 1,194,839	\$ 1,184,411
Contributions in Relation to the Actuarially Determined Contribution	1,180,454	1,213,361	1,262,754	1,305,753	1,194,839	1,184,411
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 8,079,780	\$ 8,371,254	\$ 8,714,661	\$ 9,011,405	\$ 8,245,956	\$ 8,307,129
Contributions as a Percentage of Covered Payroll	14.61%	14.49%	14.49%	14.49%	14.49%	14.49%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - TCRS
June 30, 2019

Notes to Schedule - TCRS

Valuation date : Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 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 (ASSET) AND RELATED RATIOS BASED
ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS - HYBRID
Last Fiscal Year Ending June 30

	2016	2017	2018
TOTAL PENSION LIABILITY			
Service Cost	\$ -	\$ 863	\$ 24,287
Interest	-	65	2,984
Changes in Benefit Terms	-	-	-
Differences Between Actual and Expected Experience	-	15,617	48,533
Change of Assumptions	-	320	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	-	16,865	75,804
TOTAL PENSION LIABILITY - BEGINNING	-	-	16,865
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 0</u>	<u>\$ 16,865</u>	<u>\$ 92,669</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 149	\$ 10,584	\$ 46,689
Contributions - Employees	187	13,230	58,361
Net Investment Income	4	1,320	6,233
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	(41)	(1,123)	(3,497)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	299	24,011	107,786
PLAN FIDUCIARY NET POSITION - BEGINNING	-	299	24,310
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 299</u>	<u>\$ 24,310</u>	<u>\$ 132,096</u>
NET PENSION LIABILITY (ASSET)- ENDING (a) - (b)	<u>\$ (299)</u>	<u>\$ (7,445)</u>	<u>\$ (39,427)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	N/A	144.14%	144.14%
COVERED PAYROLL	\$ 3,732	\$ 264,597	\$ 1,098,268
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	-8.01%	-2.81%	-3.59%

Notes to Schedule

Changes of Assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment and salary growth.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See Independent Auditors' Report.

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 75	\$ 2,990	\$ 30,105	\$ 69,763
Contributions in Relation to the Actuarially Determined Contribution	<u>149</u>	<u>10,584</u>	<u>46,689</u>	<u>69,763</u>
Contribution Deficiency (Excess)	<u>\$ (74)</u>	<u>\$ (7,594)</u>	<u>\$ (16,584)</u>	<u>\$ 0</u>
 Covered Payroll	 \$ 3,732	 \$ 264,597	 \$ 1,098,268	 \$ 1,222,732
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.25%	5.71%

**GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

In fiscal year 2019, the City of Elizabethton placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – TCRS – HYBRID
June 30, 2019

Notes to Schedule – TCRS – HYBRID

Valuation date : Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.500 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.25 percent

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	2016	2017	2018
TOTAL PENSION LIABILITY					
Service Cost	\$ 107,733	\$ 109,369	\$ 112,462	\$ 118,496	\$ 97,638
Interest	1,131,940	1,135,069	1,190,812	1,211,032	1,179,706
Changes in Benefit Terms	-	-	-	-	-
Differences Between Actual and Expected Experience	(3,191)	691,565	77,893	(714,713)	155,068
Change in Assumptions	-	-	24,551	118,486	92,740
Benefit Payments, Including Refunds of Employee Contributions	(1,222,850)	(1,163,998)	(1,121,529)	(1,124,265)	(1,195,658)
NET CHANGE IN TOTAL PENSION LIABILITY	13,632	772,005	284,189	(390,964)	329,494
TOTAL PENSION LIABILITY - BEGINNING	16,674,266	16,687,898	17,459,903	17,744,092	17,353,128
TOTAL PENSION LIABILITY - ENDING (a)	\$ 16,687,898	\$ 17,459,903	\$ 17,744,092	\$ 17,353,128	\$ 17,682,622
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 905,956	\$ 936,965	\$ 951,698	\$ 975,103	\$ 975,103
Contributions - Employees	25,691	25,393	26,125	25,835	22,048
Net Investment Income	723,358	88,399	876,654	1,139,421	786,223
Benefit Payments, Including Refunds of Employee Contributions	(1,222,850)	(1,163,998)	(1,121,529)	(1,124,265)	(1,195,658)
Administrative Expense	(846)	(46)	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	431,309	(113,287)	732,948	1,016,094	587,716
PLAN FIDUCIARY NET POSITION - BEGINNING	10,122,711	10,554,020	10,440,733	11,173,681	12,189,775
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 10,554,020	\$ 10,440,733	\$ 11,173,681	\$ 12,189,775	\$ 12,777,491
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 6,133,878	\$ 7,019,170	\$ 6,570,411	\$ 5,163,353	\$ 4,905,131
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	63.24%	59.80%	62.97%	70.25%	72.26%
COVERED PAYROLL	\$ 1,705,262	\$ 1,673,538	\$ 1,781,006	\$ 1,520,733	\$ 1,433,562
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	359.70%	419.42%	368.92%	339.53%	342.16%

(Continued)

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

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 850,409	\$ 844,232	\$ 886,457	\$ 886,457	\$ 804,291
Contributions in Relation to the Actuarially Determined Contribution	<u>905,956</u>	<u>936,965</u>	<u>951,698</u>	<u>975,103</u>	<u>975,103</u>
Contribution Deficiency (Excess)	<u><u>\$ (55,547)</u></u>	<u><u>\$ (92,733)</u></u>	<u><u>\$ (65,241)</u></u>	<u><u>\$ (88,646)</u></u>	<u><u>\$ (170,812)</u></u>
 Covered Payroll	 \$ 1,705,262	 \$ 1,673,538	 \$ 1,781,006	 \$ 1,520,733	 \$ 1,433,562
Contributions as a Percentage of Covered Payroll	53.13%	55.99%	53.44%	64.12%	68.02%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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, 2019

Note to Schedule - Governmental Employees Pension Plan of CSA

Valuation date : Actuarially determined contribution rates for 2018 were calculated based on the October 1, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Remaining Amortization Period	10 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	50% 1952 Disability Table, Paeriod 2, Benefit 5, with a 6 month waiting period
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 80% of the prior year's level.
Cost of Living Adjustments	N/A
Date of Participation Freeze	January 12, 2007
Asset Valuation	Market Value

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS - OPEB TRUST
Last Fiscal Year Ending June 30

	2017	2018	2019
TOTAL OPEB LIABILITY			
Service Cost	\$ 380,916	118,896	124,841
Interest	237,592	250,686	129,782
Differences Between Actual and Expected Experience	-	(122,316)	(56,538)
Plan Changes	-	(2,693,000)	-
Assumption Changes	-	(330,824)	66,964
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(300,202)	(281,957)	(209,435)
Assumption Changes	-	-	-
Other Changes	-	-	-
NET CHANGE IN OPEB LIABILITY	318,306	(3,058,515)	55,614
TOTAL OPEB LIABILITY - BEGINNING	6,088,432	6,406,739	3,348,224
TOTAL OPEB LIABILITY - ENDING (a)	\$ 6,406,738	3,348,224	3,403,838
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 494,452	420,007	207,322
Contributions - Employee	-	-	-
Net Investment Income	2,001	(2,118)	274,383
Benefit Payments, Including Refunds of Employee Contributions	(300,202)	(281,957)	(209,435)
Administrative Expense	(33,139)	(32,334)	(32,914)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	163,112	103,598	239,356
PLAN FIDUCIARY NET POSITION - BEGINNING	3,676,313	3,839,425	3,943,023
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 3,839,425	3,943,023	4,182,379
NET OPEB LIABILITY (ASSET) - ENDING (a) - (b)	\$ 2,567,313	(594,799)	(778,541)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	60%	118%	123%
COVERED PAYROLL	\$ 8,079,780	9,652,930	9,916,207
NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	31.77%	-6.16%	-7.85%

Plan Assets. Assets are accumulated in a trust that meets all of the necessary criteria of GASB 75, paragraph 4 to pay benefits.

GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB TRUST
Last Fiscal Year Ending June 30

	2018	2019
Actuarially Determined Contribution	\$ 261,654	\$ 91,766
Contributions in Relation to the Actuarially Determined Contribution	192,000	45,000
Contribution Deficiency (Excess)	<u>\$ 69,654</u>	<u>\$ 46,766</u>
Covered Payroll	\$ 9,652,930	\$ 9,916,207
Contributions as a Percentage of Covered Payroll	2.71%	0.93%

GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date.

Notes to Schedule

Actuarial Cost Method Entry Age Normal

Investment Return 4%

Measurement Date June 30, 2019

Actuarial Valuation Date June 30, 2019

Discount Rate 4% and is based upon the plan's current asset allocation which consists mostly of corporate and municipal bonds.

Mortality RPH-2014 Adjusted to 2016 Total Dataset Headcount-weighted Mortality with scale MP-2018. The mortality assumption is based on the most recent study from the Society of Actuaries. The prior valuation used Scale MP-2017.

Turnover Rates of termination of employment for reasons other than retirement and death are rates for Political Subdivisions from the TCRS Annual Report.

Valuation of Assets Assets are valued at market value

Trend Rates Medical pre-65 costs were assumed to increase by 7% in year 1 decreasing linearly to an ultimate trend rate of 4.5% after 7 years. The prior year's valuation used a trend rate of 8% decreasing to an ultimate rate of 5.5%.

Salary Scale 3%

Core Inflation Assumption 3%

Retirement Age Retirement rates are based on the TCRS Annual Report.

Utilization 100%

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST
Last Fiscal Year Ending June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Annual money-weighted rate of return	0.49%	-0.60%	6.99%

Information presented for the OPEB Trust in accordance with GASB 75. Additional years will be presented in subsequent periods.

See Independent Auditors' Report.

SUPPLEMENTAL SECTION

CITY OF ELIZABETHTON, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds					Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Bonnie Kate Theatre Fund	Total Capital Project Funds	E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and Cash on Hand	\$ 187,261	2,950	87,829	17,137	348,474	-	643,651
Investments	51,715	-	-	-	497,637	31,758	581,110
Restricted Cash - Debt Escrow	-	-	-	-	457,753	-	457,753
Due from Other Funds	3,181	-	-	-	-	-	3,181
TOTAL ASSETS	\$ 242,157	2,950	87,829	17,137	1,303,864	31,758	1,685,695
LIABILITIES							
Accounts Payable	\$ -	-	-	632	37,967	-	38,599
Other Liabilities	14,049	-	-	-	-	-	14,049
Due to Other Funds	1,665	-	-	-	-	-	1,665
TOTAL LIABILITIES	15,714	0	0	632	37,967	0	54,313
FUND BALANCES							
Nonspendable:							
Bolling Trust	-	-	-	-	-	25,000	25,000
Restricted for:							
Police Community Relations	-	2,950	-	-	-	-	2,950
Department of Justice	59,269	-	-	-	-	-	59,269
Police Drug Enforcement Fund	167,174	-	-	-	-	-	167,174
Bonnie Kate Theatre	-	-	-	16,505	-	-	16,505
Fundraiser	-	-	-	-	2,253	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	-	93,277	-	93,277
Bolling Trust	-	-	-	-	-	6,758	6,758
Committed to:							
Police Technology Fee	-	-	87,829	-	-	-	87,829
Debt Issue	-	-	-	-	920,318	-	920,318
Assigned:							
Linear Path Phase V	-	-	-	-	246,783	-	246,783
Joe O'Brien Field	-	-	-	-	3,266	-	3,266
TOTAL FUND BALANCES	226,443	2,950	87,829	16,505	1,265,897	31,758	1,631,382
TOTAL LIABILITIES AND FUND BALANCES	\$ 242,157	2,950	87,829	17,137	1,303,864	31,758	1,685,695

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
June 30, 2019

	Capital Project Funds				
	Park and Recreation Capital Projects Fund	Joe O'Brien Field 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	\$ 246,783	5,519	-	96,172	348,474
Investments	-	-	497,637	-	497,637
Restricted Cash - Debt Escrow	-	-	457,753	-	457,753
TOTAL ASSETS	<u>\$ 246,783</u>	<u>5,519</u>	<u>955,390</u>	<u>96,172</u>	<u>1,303,864</u>
LIABILITIES					
Accounts Payable	\$ -	-	35,072	2,895	37,967
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>35,072</u>	<u>2,895</u>	<u>37,967</u>
FUND BALANCES					
Restricted for:					
Fundraiser	\$ -	2,253	-	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	93,277	93,277
Committed to:					
Debt Issue	-	-	920,318	-	920,318
Assigned to:					
Linear Path Phase V	246,783	-	-	-	246,783
Joe O'Brien Field	-	3,266	-	-	3,266
TOTAL FUND BALANCES	<u>246,783</u>	<u>5,519</u>	<u>920,318</u>	<u>93,277</u>	<u>1,265,897</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 246,783</u>	<u>5,519</u>	<u>955,390</u>	<u>96,172</u>	<u>1,303,864</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, 2019

	Special Revenue Funds					Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Bonnie Kate Theatre Fund	Total Capital Project Funds	E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
REVENUES							
Donations	\$ -	-	-	16,750	1,803	-	18,553
Fines and Forfeitures	86,939	-	85,610	12,524	-	-	185,073
Rent	-	-	-	8,735	-	-	8,735
Interest Earnings	4,219	9	236	-	30,919	696	36,079
TOTAL REVENUES	91,158	9	85,846	38,009	32,722	696	248,440
EXPENDITURES							
General Government	11,805	-	-	-	-	-	11,805
Public Safety	45,906	-	45,211	-	-	-	91,117
Other Operating Expenditures	-	-	-	19,927	4,727	-	24,654
Utilities	-	-	-	10,036	-	-	10,036
Capital Outlay	9,550	-	9,135	10,968	2,358,160	-	2,387,813
TOTAL EXPENDITURES	67,261	0	54,346	40,931	2,362,887	0	2,525,425
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,897	9	31,500	(2,922)	(2,330,165)	696	(2,276,985)
OTHER FINANCING SOURCES (USES)							
Proceeds from Issuance of Debt	-	-	-	-	450,800	-	450,800
Transfers In	-	-	-	6,000	14,000	-	20,000
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	6,000	464,800	0	470,800
Net Change in Fund Balances	23,897	9	31,500	3,078	(1,865,365)	696	(1,806,185)
FUND BALANCES, JULY 1, 2018	202,546	2,941	56,329	13,427	3,131,262	31,062	3,437,567
FUND BALANCES, JUNE 30, 2019	\$ 226,443	2,950	87,829	16,505	1,265,897	31,758	1,631,382

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, 2019

	Capital Project Funds				Total Nonmajor Capital Projects Funds
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	
REVENUES					
Donations	\$ -	-	-	1,803	1,803
Interest Earnings	736	17	29,874	292	30,919
TOTAL REVENUES	736	17	29,874	2,095	32,722
EXPENDITURES					
Capital Outlay	-	-	2,358,160	-	2,358,160
Other Operating Expenditures	-	-	-	4,727	4,727
TOTAL EXPENDITURES	0	0	2,358,160	4,727	2,362,887
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	736	17	(2,328,286)	(2,632)	(2,330,165)
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	450,800	-	450,800
Transfers In	14,000	-	-	-	14,000
TOTAL OTHER FINANCING SOURCES (USES)	14,000	0	450,800	0	464,800
Net Change in Fund Balances	14,736	17	(1,877,486)	(2,632)	(1,865,365)
FUND BALANCES, JULY 1, 2018	232,047	5,502	2,797,804	95,909	3,131,262
FUND BALANCES, JUNE 30, 2019	<u>\$ 246,783</u>	<u>5,519</u>	<u>920,318</u>	<u>93,277</u>	<u>1,265,897</u>

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Task Force	\$ 20,000	20,000	15,564	(4,436)
Interest Earnings	85	85	4,219	4,134
Drug Fines - Courts	12,000	12,000	13,738	1,738
Fines and Forfeitures	15,000	46,291	57,637	11,346
TOTAL REVENUES	47,085	78,376	91,158	12,782
EXPENDITURES				
General Government	9,780	14,780	11,805	2,975
Insurance	2,106	2,106	-	2,106
Vehicle Maintenance and Fuel	17,000	19,500	10,418	9,082
Police Grants	43,199	35,899	35,488	411
Capital Outlay	-	31,091	9,550	21,541
TOTAL EXPENDITURES	72,085	103,376	67,261	36,115
Net Change in Fund Balance	(25,000)	(25,000)	23,897	48,897
FUND BALANCE, JULY 1, 2018	202,546	202,546	202,546	-
FUND BALANCE, JUNE 30, 2019	\$ 177,546	177,546	226,443	48,897

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 1,000	1,000	-	(1,000)
Interest Earnings	-	-	9	9
TOTAL REVENUES	1,000	1,000	9	(991)
EXPENDITURES				
Public Safety	1,000	1,000	-	1,000
TOTAL EXPENDITURES	1,000	1,000	-	1,000
Net Change in Fund Balance	-	-	9	9
FUND BALANCE, JULY 1, 2018	2,941	2,941	2,941	-
FUND BALANCE, JUNE 30, 2019	\$ 2,941	2,941	2,950	9

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Court Fines	\$ 4,319	4,319	3,146	(1,173)
Intergovernmental	8,311	8,311	-	(8,311)
Fines and Forfeitures	81,699	81,699	82,464	765
Other Revenues	500	500	-	(500)
Interest Earnings	60	60	236	176
TOTAL REVENUES	94,889	94,889	85,846	(9,043)
EXPENDITURES				
Public Safety	46,939	49,340	45,211	4,129
Capital Outlay	57,950	55,549	9,135	46,414
TOTAL EXPENDITURES	104,889	104,889	54,346	50,543
Net Change in Fund Balance	(10,000)	(10,000)	31,500	41,500
FUND BALANCE, JULY 1, 2018	56,329	56,329	56,329	-
FUND BALANCE, JUNE 30, 2019	\$ 46,329	46,329	87,829	41,500

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
BONNIE KATE THEATRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for Service	\$ 20,500	20,500	7,785	(12,715)
Rent	12,000	12,000	8,735	(3,265)
Donations	-	16,750	16,750	-
Other Revenues	2,700	2,700	4,739	2,039
TOTAL REVENUES	35,200	51,950	38,009	(13,941)
EXPENDITURES				
Utilities	8,950	10,644	10,036	608
Other Expenditures	4,060	2,816	2,029	787
Professional Services	600	600	562	38
Insurance	10,500	15,750	14,594	1,156
Repairs and Maintenance	1,800	3,600	2,742	858
Capital Outlay	15,290	24,540	10,968	13,572
TOTAL EXPENDITURES	41,200	57,950	40,931	17,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,000)	(6,000)	(2,922)	3,078
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	6,000	6,000	6,000	-
TOTAL OTHER FINANCING SOURCES (USES)	6,000	6,000	6,000	-
Net Change in Fund Balance	-	-	3,078	3,078
FUND BALANCE, JULY 1, 2018	13,427	13,427	13,427	-
FUND BALANCE, JUNE 30, 2019	\$ 13,427	13,427	16,505	3,078

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 362,036	362,036	-	(362,036)
Interest Earnings	200	200	736	536
TOTAL REVENUES	362,236	362,236	736	(361,500)
EXPENDITURES				
Capital Outlay	608,236	608,236	-	608,236
TOTAL EXPENDITURES	608,236	608,236	0	608,236
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(246,000)	(246,000)	736	246,736
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	(232,000)	(232,000)	14,736	246,736
FUND BALANCE, JULY 1, 2018	232,047	232,047	232,047	-
FUND BALANCE, JUNE 30, 2019	\$ 47	47	246,783	246,736

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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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	50	50	17	(33)
TOTAL REVENUES	50	50	17	(33)
EXPENDITURES				
Other Expenditures	50	50	-	50
TOTAL EXPENDITURES	50	50	0	50
Net Change in Fund Balance	-	-	17	17
FUND BALANCE, JULY 1, 2018	5,502	5,502	5,502	-
FUND BALANCE, JUNE 30, 2019	\$ 5,502	5,502	5,519	17

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	\$ 24,500	24,500	29,874	5,374
TOTAL REVENUES	24,500	24,500	29,874	5,374
EXPENDITURES				
Capital Outlay	2,821,382	3,272,182	2,358,160	914,022
TOTAL EXPENDITURES	2,821,382	3,272,182	2,358,160	914,022
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,796,882)	(3,247,682)	(2,328,286)	919,396
OTHER FINANCING SOURCES (USES)				
Proceeds from Issuance of Debt	-	-	450,800	450,800
TOTAL OTHER FINANCING SOURCES (USES)	0	0	450,800	450,800
Net Change in Fund Balance	(2,796,882)	(3,247,682)	(1,877,486)	1,370,196
FUND BALANCE, JULY 1, 2018	2,797,804	2,797,804	2,797,804	-
FUND BALANCE, JUNE 30, 2019	\$ 922	(449,878)	920,318	1,370,196

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, 2019**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Donations	\$ 4,500	4,500	1,803	(2,697)
Interest Earnings	-	-	292	292
TOTAL REVENUES	4,500	4,500	2,095	(2,405)
EXPENDITURES				
Other Operating Expenses	6,250	6,250	4,727	1,523
TOTAL EXPENDITURES	6,250	6,250	4,727	1,523
Net Change in Fund Balance	(1,750)	(1,750)	(2,632)	(882)
FUND BALANCE, JULY 1, 2018	95,909	95,909	95,909	-
FUND BALANCE, JUNE 30, 2019	<u>\$ 94,159</u>	<u>94,159</u>	<u>93,277</u>	<u>(882)</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor	Program / Cluster Name	CFDA Number	Pass-through Entity Identifying Number	Expenditures
PRIMARY GOVERNMENT				
Pass-Through Laurel County Fiscal Agent Executive Office of the President	High Intensity Drug Trafficking Area Program / Office of National Drug Control Policy	95.001	G18AP0001A	<u>\$ 14,155</u>
Pass-Through State of Tennessee - State Library and Archives Institute of Museum and Library Services	Grants to States / LSTA Technology Grant FAIN: LS-00-18-0043-18	45.310	[1]	1,620
Pass-Through State of Tennessee - State Library and Archives Institute of Museum and Library Services	Grants to States / LSTA Technology Grant	45.310	[1]	7,136
Pass-Through State of Tennessee - State Library and Archives National Historical Publications and Records Commission	TOPS Training Opportunities for the Public	45.310	[1]	<u>1,774</u>
TOTAL CFDA 45.310				10,530
Pass-Through State of Tennessee - Department of Transportation Department of Transportation	State and Community Highway Safety Governor's Highway Safety Office	20.600	Z-18THS102	<u>5,000</u>
Department of Housing and Urban Development	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii Water System Rehabilitation - CDBG	14.228	41112	<u>41,348</u>
TOTAL PRIMARY GOVERNMENT				<u>\$ 71,033</u>

[1] Information not available

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Elizabethton, Tennessee (primary government) under programs of the federal government for the year ended June 30, 2019. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

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 the 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, 2019 consist of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
66.458	Project No. CWSRF 2011-272- Capitalization Grants for Clean Water SRF Funds Wastewater Treatment Plant and Collection System Improvements	\$ 2,279,254
66.468	Capitalization Grants for Drinking Water - State Revolving Funds DWO 2011-112	688,607
66.468	Project No. DG1 12-120 Capitalization Grants for Drinking Water - State Revolving Funds	376,748

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019

<hr/>			
<u>State Grantor / Pass-through Grantor</u>	<u>Program Name</u>	<u>Contract Number</u>	<u>Expenditures</u>
PRIMARY GOVERNMENT			
TN Department of Transportation	State Highway Maintenance	CMA 1838	<u>\$ 35,563</u>
TOTAL PRIMARY GOVERNMENT			<u><u>\$ 35,563</u></u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2018	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2019
Governmental Activities:								
Bonds Payable								
Payable Through General Fund								
General Obligation - School Bond Series 2018	\$ 6,750,000	3.85-3.95%	12/16/2008	9/1/2018	\$ 415,000	-	415,000	-
General Obligation - Series 2010B	505,000	3.00-3.75%	3/11/2010	6/1/2020	70,000	-	35,000	35,000
General Obligation -Refunding Bond Series 2012	2,145,000	0.25-1.75%	7/27/2012	3/1/2020	235,000	-	135,000	100,000
General Obligation - School Refunding Bond Series 2013	5,450,000	3.00-4.00%	9/20/2013	3/1/2034	5,450,000	-	-	5,450,000
General Obligation - Refunding Bond Series 2017	5,530,000	2.00-3.00%	3/10/2017	9/1/2036	5,275,000	-	250,000	5,025,000
Total Bonds Payable Through General Fund					<u>\$ 11,445,000</u>	<u>0</u>	<u>835,000</u>	<u>10,610,000</u>
Notes Payable								
Payable Through General Fund								
Capital Outlay Note 2012	\$ 252,000	2.10%	3/15/2012	3/15/2019	\$ 38,315	-	38,315	-
Capital Outlay Note 2013	441,838	3.50%	11/14/2013	11/14/2018	90,982	-	90,982	-
Capital Outlay Note 2016	177,500	1.58%	1/11/2016	1/11/2019	60,099	-	60,099	-
Capital Outlay Note 2018	450,800	3.07%	12/12/2018	12/12/2025	-	450,800	-	450,800
Total Capital Outlay Notes Payable Through General Fund					<u>\$ 189,396</u>	<u>450,800</u>	<u>189,396</u>	<u>450,800</u>

(Continued)

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2018	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2019
Business-Type Activities:								
Bonds Payable								
Payable Through Water and Sewer Fund								
Revenue and Tax Refunding Improvement Bond Series 2002B	\$ 5,647,414	4.90-5.61%	6/12/2012	6/1/2031	\$ 3,554,372	-	358,969	3,195,403
General Obligation Improvement Bond - Series 2010B	3,540,000	3.00-3.25%	4/30/2010	6/1/2020	280,000	-	135,000	145,000
General Obligation -Refunding Bond Series 2010C	2,460,000	3.00%	12/13/2010	6/1/2020	260,000	-	130,000	130,000
General Obligation - Refunding Bond Series 2012	2,190,000	0.25-2.00%	7/27/2012	3/1/2023	555,000	-	110,000	445,000
General Obligation - Refunding Bond Series 2017	3,965,000	2.00-2.50%	3/10/2017	9/1/2029	3,845,000	-	115,000	3,730,000
Total Bonds Payable Through Water and Sewer Fund					<u>\$ 8,494,372</u>	<u>0</u>	<u>848,969</u>	<u>7,645,403</u>
Payable Through Electric Department Fund								
Revenue Bond Series 2007	\$ 15,000,000	4.00-5.00%	12/27/2007	9/1/2018	\$ 770,000	-	770,000	-
Revenue Bond Series 2010	\$ 20,585,000	1.75-6.25%	4/20/2010	9/1/2035	19,735,000	-	155,000	19,580,000
Revenue Refunding Bond Series 2015A	9,280,000	2.00-2.50%	3/19/2015	9/1/2027	8,965,000	-	105,000	8,860,000
Revenue Refunding Bond Series 2015B	1,905,000	2.00-3.00%	3/19/2015	9/1/2022	1,380,000	-	260,000	1,120,000
Total Bonds Payable Through Electric Department Fund					<u>\$ 30,850,000</u>	<u>0</u>	<u>1,290,000</u>	<u>29,560,000</u>
Notes Payable								
Payable Through Water and Sewer Fund								
Capital Outlay Note 2014	\$ 263,000	1.48%	9/5/2013	8/23/2018	\$ 54,244	-	54,244	-
Capital Outlay Note 2014	300,000	2.48%	9/5/2013	8/23/2023	189,061	-	29,554	159,507
Capital Outlay Note 2017	397,500	2.08%	8/1/2017	8/1/2022	397,500	-	76,268	321,232
Total Capital Outlay Notes Payable Through Water and Sewer Fund					<u>\$ 640,805</u>	<u>0</u>	<u>160,066</u>	<u>480,739</u>
State Revolving Loans Payable								
Payable Through Water and Sewer Fund								
SRF 2011-272	\$ 2,800,000	1.84%	6/24/2011	3/15/2035	\$ 2,402,890	-	123,636	2,279,254
DWO 2011-112	3,800,000	1.99%	6/24/2011	10/15/2034	726,647	-	38,040	688,607
DG1 2012-120	650,000	0.77%	6/25/2013	10/15/2035	398,312	-	21,564	376,748
Total State Revolving Loans Payable Through Water and Sewer Fund					<u>\$ 3,527,849</u>	<u>0</u>	<u>183,240</u>	<u>3,344,609</u>

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, 2019

	Balance July 1, 2018	General Obligation Debt Additions	General Obligation Debt Retired	Balance June 30, 2019
<u>General Bonded Debt</u>				
General Fund:				
General Obligation - School Bond, Series 2008	\$ 415,000	-	415,000	-
General Obligation - Series 2010B	70,000	-	35,000	35,000
General Obligation - Refunding Bond, Series 2012	235,000	-	135,000	100,000
General Obligation - School Refunding Bond, Series 2013	5,450,000	-	-	5,450,000
General Obligation - Refunding Bond, Series 2017	5,275,000	-	250,000	5,025,000
	<u>\$ 11,445,000</u>	<u>0</u>	<u>835,000</u>	<u>10,610,000</u>
Total General Bonded Debt	<u>\$ 11,445,000</u>	<u>0</u>	<u>835,000</u>	<u>10,610,000</u>
<u>Notes Payable</u>				
General Fund:				
Capital Outlay Note - 2012	\$ 38,315	-	38,315	-
Capital Outlay Note - 2013	90,982	-	90,982	-
Capital Outlay Note - 2016	60,099	-	60,099	-
Capital Outlay Note - 2018	-	450,800	-	450,800
	<u>\$ 189,396</u>	<u>450,800</u>	<u>189,396</u>	<u>450,800</u>
Total Notes Payable	<u>\$ 189,396</u>	<u>450,800</u>	<u>189,396</u>	<u>450,800</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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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	103,337	633,337
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>2,078,163</u>	<u>7,528,163</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION REFUNDING BONDS - SERIES 2017
June 30, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2020	\$ 680,000	103,498	783,498
6/30/2021	630,000	90,398	720,398
6/30/2022	615,000	77,947	692,947
6/30/2023	610,000	65,697	675,697
6/30/2024	600,000	53,598	653,598
6/30/2025	170,000	45,898	215,898
6/30/2026	125,000	42,916	167,916
6/30/2027	130,000	40,171	170,171
6/30/2028	130,000	37,346	167,346
6/30/2029	135,000	34,293	169,293
6/30/2030	135,000	30,918	165,918
6/30/2031	140,000	27,445	167,445
6/30/2032	145,000	23,810	168,810
6/30/2033	150,000	20,050	170,050
6/30/2034	150,000	16,075	166,075
6/30/2035	155,000	11,881	166,881
6/30/2036	160,000	7,350	167,350
6/30/2037	165,000	2,475	167,475
	<u>\$ 5,025,000</u>	<u>731,766</u>	<u>5,756,766</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, 2019

	Balance July 1, 2018	Debt Additions	Debt Retired	Balance June 30, 2019
<u>Business-Type Activities Bonded Debt</u>				
Water and Sewer Fund:				
Water and Sewer Revenue and Tax Refunding and Improvement Bond - Series 2002B	\$ 3,554,372	-	358,969	3,195,403
Water and Sewer General Obligation Improvement Bond - Series 2010B	280,000	-	135,000	145,000
Water and Sewer General Obligation Improvement Bond - Series 2010C	260,000	-	130,000	130,000
Water and Sewer General Obligation Refunding Bond - Series 2012	555,000	-	110,000	445,000
Water and Sewer General Obligation Refunding Bond - Series 2017	3,845,000	-	115,000	3,730,000
Total Water and Sewer Fund Bonded Debt	8,494,372	0	848,969	7,645,403
Electric Department Fund:				
Revenue Bond - Series 2007	770,000	-	770,000	-
Revenue Bond - Series 2010	19,735,000	-	155,000	19,580,000
Revenue Refunding Bond - Series 2015A	8,965,000	-	105,000	8,860,000
Revenue Refunding Bond - Series 2015B	1,380,000	-	260,000	1,120,000
Total Electric Department Fund Bonded Debt	30,850,000	0	1,290,000	29,560,000
Total Business-Type Activities Bonded Debt	\$ 39,344,372	0	2,138,969	37,205,403
<u>Business-Type Activities Notes Payable</u>				
Water and Sewer Fund:				
Capital Outlay Note - 2014	\$ 54,244	-	54,244	-
Capital Outlay Note - 2014	189,061	-	29,554	159,507
Capital Outlay Note - 2017	397,500	-	76,268	321,232
Total Water and Sewer Fund Notes Payable	640,805	0	160,066	480,739
Total Business-Type Activities Notes Payable	\$ 640,805	0	160,066	480,739

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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2020	\$ 337,050	537,950	875,000
6/30/2021	316,680	558,320	875,000
6/30/2022	297,841	577,159	875,000
6/30/2023	306,116	648,884	955,000
6/30/2024	302,525	702,476	1,005,001
6/30/2025	284,525	720,475	1,005,000
6/30/2026	268,687	736,313	1,005,000
6/30/2027	253,683	751,317	1,005,000
6/30/2028	239,471	765,528	1,004,999
6/30/2029	226,005	778,995	1,005,000
6/30/2030	213,842	791,158	1,005,000
6/30/2031	148,978	591,022	740,000
	<u>\$ 3,195,403</u>	<u>8,159,597</u>	<u>11,355,000</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
WATER AND SEWER GENERAL OBLIGATION AND REFUNDING BONDS - SERIES 2017
June 30, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2020	\$ 120,000	78,628	198,628
6/30/2021	415,000	73,278	488,278
6/30/2022	420,000	64,928	484,928
6/30/2023	270,000	58,028	328,028
6/30/2024	335,000	51,978	386,978
6/30/2025	340,000	45,228	385,228
6/30/2026	350,000	38,240	388,240
6/30/2027	355,000	30,659	385,659
6/30/2028	365,000	22,833	387,833
6/30/2029	375,000	14,313	389,313
6/30/2030	385,000	4,813	389,813
	<u>\$ 3,730,000</u>	<u>482,926</u>	<u>4,212,926</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
ELECTRIC DEPARTMENT REVENUE BONDS - SERIES 2010
June 30, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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	602,212	2,587,212
6/30/2033	2,060,000	480,863	2,540,863
6/30/2034	2,145,000	352,032	2,497,032
6/30/2035	2,235,000	215,156	2,450,156
6/30/2036	2,325,000	72,657	2,397,657
	<u>\$ 19,580,000</u>	<u>14,013,189</u>	<u>33,593,189</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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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>\$ 8,860,000</u>	<u>960,599</u>	<u>9,820,599</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2020	\$ 2,992,050	2,310,678	5,302,728
6/30/2021	2,831,680	2,264,796	5,096,476
6/30/2022	2,857,841	2,223,084	5,080,925
6/30/2023	2,756,116	2,233,834	4,989,950
6/30/2024	2,772,525	2,223,642	4,996,167
6/30/2025	2,834,526	2,172,468	5,006,994
6/30/2026	2,758,687	2,112,469	4,871,156
6/30/2027	2,813,682	2,046,129	4,859,811
6/30/2028	2,869,471	1,975,236	4,844,707
6/30/2029	3,016,004	1,878,715	4,894,719
6/30/2030	3,103,844	1,754,711	4,858,555
6/30/2031	2,748,977	1,417,544	4,166,521
6/30/2032	2,700,000	686,022	3,386,022
6/30/2033	2,805,000	537,613	3,342,613
6/30/2034	2,915,000	380,507	3,295,507
6/30/2035	2,390,000	227,037	2,617,037
6/30/2036	2,485,000	80,007	2,565,007
6/30/2037	165,000	2,475	167,475
	<u>\$ 47,815,403</u>	<u>26,526,967</u>	<u>74,342,370</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2020	\$ 166,862	24,512	191,374
6/30/2021	171,000	20,373	191,373
6/30/2022	175,329	16,044	191,373
6/30/2023	179,729	11,646	191,375
6/30/2024	99,942	7,121	107,063
6/30/2025	68,285	4,269	72,554
6/30/2026	70,392	2,161	72,553
	<u>\$ 931,539</u>	<u>86,126</u>	<u>1,017,665</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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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	<u>125,014</u>	<u>8</u>	<u>125,022</u>
	<u>\$ 2,279,254</u>	<u>347,948</u>	<u>2,627,202</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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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>\$ 688,607</u>	<u>110,919</u>	<u>799,526</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, 2019

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
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>\$ 376,748</u>	<u>24,315</u>	<u>401,063</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					
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 4,456,326	4,890,080	4,762,715	5,349,627	10,490,459	10,101,344	10,406,073	5,588,128	6,497,783	8,872,749
Restricted	-	-	-	-	300,848	294,328	486,824	529,578	386,253	484,446
Unrestricted	9,572,482	6,863,855	6,826,501	6,786,541	(2,809,266)	(3,892,241)	(3,202,735)	2,521,221	2,224,928	964,089
Total Governmental Activities Net Position	<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>	<u>8,638,927</u>	<u>9,108,964</u>	<u>10,321,284</u>
Business-Type Activities										
Net Investment in Capital Assets	36,573,549	45,788,517	51,968,558	53,717,874	56,386,632	56,937,126	57,110,282	57,833,967	58,737,527	59,007,227
Restricted	-	-	-	-	-	-	790,825	789,066	567,754	717,513
Unrestricted	23,982,437	17,750,477	16,826,224	17,421,952	18,858,714	12,679,142	13,268,207	14,351,711	17,805,360	19,662,908
Total Business-Type Activities Net Position	<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>	<u>72,974,744</u>	<u>77,110,641</u>	<u>79,387,648</u>
Primary Government										
Net Investment in Capital Assets	\$ 41,029,875	50,678,597	56,731,273	59,067,501	66,877,091	67,038,470	67,516,355	63,422,095	65,235,310	67,879,976
Restricted	-	-	-	-	300,848	294,328	1,277,649	1,318,644	954,007	1,201,959
Unrestricted	33,554,919	24,614,332	23,652,725	24,208,493	16,049,448	8,786,901	10,065,472	16,872,932	20,030,288	20,626,997
Total Primary Government Net Position	<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>	<u>81,613,671</u>	<u>86,219,605</u>	<u>89,708,932</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EXPENSES										
Governmental Activities										
General Government	\$ 2,320,021	2,315,622	1,073,396	974,186	905,738	1,107,009	649,464	1,074,848	1,378,970	1,632,496
Public Safety	4,921,251	5,121,019	5,160,505	5,482,963	5,572,648	5,481,940	4,627,952	5,574,563	4,855,167	5,992,311
Public Works	1,892,643	2,096,641	1,804,323	1,958,961	2,334,992	2,091,850	2,319,957	2,536,803	2,696,303	2,512,212
Health and Welfare	147,272	164,820	154,745	187,911	194,258	193,085	174,175	271,415	177,135	189,515
Building Code Enforcement	297,039	300,851	296,729	312,324	305,412	330,889	311,856	281,487	300,369	293,754
Community Development	190,682	189,330	157,973	135,732	137,049	143,365	120,608	141,562	134,556	139,292
Culture and Recreation	1,237,217	1,231,555	1,359,822	1,504,687	1,474,866	1,334,923	1,169,662	1,527,397	1,359,078	1,784,948
Education	7,006,578	4,491,562	2,378,756	2,632,885	7,339,934	2,342,086	2,543,220	2,597,928	2,494,735	2,728,086
Airport	-	-	-	145,000	145,000	145,000	145,000	228,825	145,000	145,000
Golf Course	-	-	-	-	-	50,000	140,000	186,065	25,000	-
Other	396,513	319,608	753,496	135,227	98,318	118,347	308,422	274,825	285,553	336,060
Contribution to OPEB Trust	-	-	-	-	-	-	1,785,783	122,000	100,000	20,000
Interest on Long-Term Debt	336,470	303,926	290,917	271,676	504,701	390,134	381,245	463,929	361,492	307,427
Total Governmental Activities	18,745,686	16,534,934	13,430,662	13,741,552	19,012,916	13,728,628	14,677,344	15,281,647	14,313,358	16,081,101
Business-Type Activities										
Water and Sewer	6,775,618	7,287,257	7,266,962	8,058,277	8,072,676	7,991,875	8,137,504	8,613,561	7,906,475	8,515,379
Electric Department	48,649,864	55,127,228	48,790,590	50,851,625	52,339,675	53,635,100	50,934,601	52,604,065	53,651,829	54,068,156
Sanitation	963,492	1,050,289	2,087,820	958,488	1,031,438	959,948	979,652	1,053,558	1,014,046	1,075,425
Golf Course	-	-	-	-	-	-	-	-	256,177	-
Total Business-Type Activities	56,388,974	63,464,774	58,145,372	59,868,390	61,443,789	62,586,923	60,051,757	62,271,184	62,828,527	63,658,960
Total Expenses	\$ 75,134,660	79,999,708	71,576,034	73,609,942	80,456,705	76,315,551	74,729,101	77,552,831	77,141,885	79,740,061
PROGRAM REVENUES										
Governmental Activities										
Charges for Services	\$ 1,977,331	2,051,561	1,238,789	1,365,426	1,282,487	1,459,193	1,207,355	1,298,955	1,756,386	2,207,350
Operating Grants and Contributions	60,871	47,830	25,707	43,669	13,616	25,093	12,981	18,121	59,054	119,584
Capital Grants and Contributions	66,147	34,858	289,944	4,778	7,719	7,184	-	3,071	1,558	-
Total Governmental Activities	2,104,349	2,134,249	1,554,440	1,413,873	1,303,822	1,491,470	1,220,336	1,320,147	1,816,998	2,326,934
Business-Type Activities										
Charges for Services	56,637,930	65,321,181	62,703,650	65,500,427	66,308,882	65,736,396	62,986,691	65,232,039	68,252,128	67,138,752
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	613,273	1,019,347	191,821	590,609	50,110	388,608	56,467	220,053	203,697	41,348
Total Business-Type Activities	57,251,203	66,340,528	62,895,471	66,091,036	66,358,992	66,125,004	63,043,158	65,452,092	68,455,825	67,180,100
Total Program Revenues	\$ 59,355,552	68,474,777	64,449,911	67,504,909	67,662,814	67,616,474	64,263,494	66,772,239	70,272,823	69,507,034

(Continued)

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (14,400,685)	(11,876,222)	(12,327,679)	(17,709,094)	(12,237,158)	(13,457,008)	(13,961,500)	(13,961,500)	(12,496,360)	(13,754,167)
Business-Type Activities	2,875,754	4,750,099	6,222,646	4,915,203	3,538,081	2,991,401	3,180,908	3,180,908	5,627,298	3,521,140
Total Net (Expense) Revenue	\$ (11,524,931)	(7,126,123)	(6,105,033)	(12,793,891)	(8,699,077)	(10,465,607)	(10,780,592)	(10,780,592)	(6,869,062)	(10,233,027)
GENERAL REVENUES										
Governmental Activities										
Taxes										
Property Taxes	\$ 3,982,150	4,008,863	4,588,415	4,712,052	4,856,278	4,931,901	4,884,043	5,022,458	4,906,055	4,933,460
Sales Taxes	4,110,095	4,137,126	4,183,559	4,259,793	4,281,604	4,536,823	4,726,734	4,792,452	4,796,140	4,965,447
In-Lieu of Taxes	27,805	29,333	27,741	16,534	18,759	14,316	22,973	16,423	17,163	12,297
Business Taxes	150,884	298,423	385,646	282,820	353,049	234,849	404,244	336,918	332,359	343,042
Other Taxes	477,250	480,090	502,388	494,547	515,398	506,017	507,362	491,749	496,096	469,399
Other Local Governments	65,246	322,381	152,092	49,049	44,981	44,010	42,869	71,281	73,994	-
State Aid	1,947,533	1,943,661	1,889,311	1,943,199	1,976,468	2,013,214	2,162,699	2,197,733	2,415,738	2,329,121
Unrestricted Investment Earnings	74,730	25,810	8,426	7,625	9,463	6,306	18,824	38,692	136,971	150,532
Miscellaneous	683,002	408,839	408,657	455,716	648,841	473,139	595,040	547,963	464,565	27,288
Special Item - Donations of Assets	-	-	-	-	-	(574,349)	-	-	-	-
Loss on Disposal of Capital Assets	-	-	-	-	-	(146,148)	(195,955)	(39,593)	(211,972)	-
Transfers	546,496	471,286	(434,732)	752,416	850,126	1,487,838	1,474,906	1,434,189	1,279,279	1,355,772
Transfer of Operations	-	-	-	-	-	-	-	-	-	380,129
Total Governmental Activities	12,065,191	12,125,812	11,711,503	12,973,751	13,554,967	13,527,916	14,643,739	14,910,265	14,706,388	14,966,487
Business-Type Activities										
Unrestricted Investment Earnings	115,361	50,415	70,957	43,168	40,443	46,766	36,551	58,711	212,744	529,573
Miscellaneous	-	-	-	-	-	-	-	-	3,584	8,231
Transfers	(546,496)	(471,286)	434,732	(752,416)	(850,126)	(1,487,838)	(1,474,906)	(1,434,189)	(1,279,279)	(1,355,772)
Transfers of Operations	-	-	-	-	-	-	-	-	398,872	(380,129)
Total Business-Type Activities	(431,135)	(420,871)	505,689	(709,248)	(809,683)	(1,441,072)	(1,438,355)	(1,375,478)	(664,079)	(1,198,097)
Total Primary Government	\$ 11,634,056	11,704,941	12,217,192	12,264,503	12,745,284	12,086,844	13,205,384	13,534,787	14,042,309	13,768,390
CHANGE IN NET POSITION										
Governmental Activities	\$ 188,969	(201,867)	(5,997,591)	736,593	97,959	(433,584)	682,239	948,765	2,210,028	1,212,320
Business-Type Activities	4,318,964	5,801,775	5,420,892	2,828,833	2,181,718	1,739,836	1,742,553	1,805,430	4,963,219	2,323,043
Total Change in Net Position	\$ 4,507,933	5,599,908	(576,699)	3,565,426	2,279,677	1,306,252	2,424,792	2,754,195	7,173,247	3,535,363

See Independent Auditors' Report.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	187,398	161,312	148,751	19,062	27,007	31,988	22,679	45,437	20,416
Restricted	-	330,378	395,853	313,632	49,131	35,195	35,195	35,195	35,195	35,195
Committed	-	1,629,890	4,265,560	3,918,887	4,185,203	4,403,144	2,703,234	2,767,072	2,958,055	2,931,201
Assigned	-	381,351	211,446	210,365	629,514	464,176	516,533	3,167,257	310,954	70,465
Unassigned	-	4,132,802	2,107,524	2,598,583	2,892,356	3,925,984	4,078,006	4,166,945	3,314,930	3,389,533
Designated	7,289,320	-	-	-	-	-	-	-	-	-
Unreserved	1,536,347	-	-	-	-	-	-	-	-	-
Total General Fund	<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>	<u>10,159,148</u>	<u>6,664,571</u>	<u>6,446,810</u>
All Other Governmental Funds										
Nonspendable	\$ -	25,000	25,000	25,000	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	321,496	323,138	348,186
Committed	-	397,264	337,122	191,475	133,655	137,199	69,243	67,589	2,854,133	1,008,147
Assigned	-	235	3,230	196,239	205,027	199,285	213,462	359,941	235,296	250,049
Unreserved, Reported in:										
Special Revenue Funds	400,433	-	-	-	-	-	-	-	-	-
Capital Projects Funds	767,017	-	-	-	-	-	-	-	-	-
Permanent Fund	30,240	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<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>	<u>774,026</u>	<u>3,437,567</u>	<u>1,631,382</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Taxes	\$ 8,709,195	8,868,012	9,842,326	9,778,235	10,009,980	10,273,837	10,456,895	10,825,508	10,575,346	10,745,578
Licenses and Permits	96,781	84,244	96,193	204,503	212,619	222,913	244,919	269,376	227,613	268,056
Intergovernmental	2,039,177	2,281,042	2,344,577	2,027,870	2,037,174	2,082,628	2,218,549	2,290,206	2,550,344	2,396,388
Charges for Services	2,460,199	2,438,111	1,583,026	1,563,774	1,430,175	1,550,984	1,876,644	2,000,919	1,932,622	1,883,722
Donations	34,473	32,830	12,477	12,825	5,610	6,873	-	-	-	-
Grant Income	66,147	34,858	-	-	-	-	-	-	-	-
Fines and Forfeitures	320,351	329,206	359,570	397,149	432,391	387,584	374,380	326,837	253,722	330,399
Miscellaneous	694,911	441,088	445,973	455,716	648,841	473,139	595,040	547,963	465,671	463,455
Interest Earnings	74,730	25,810	8,426	7,625	9,463	6,306	18,824	38,692	136,971	150,532
TOTAL REVENUES	14,495,964	14,535,201	14,692,568	14,447,697	14,786,253	15,004,264	15,785,251	16,299,501	16,142,289	16,238,130
EXPENDITURES										
General Government	3,060,510	2,993,468	1,757,135	1,650,057	1,566,938	1,720,352	2,166,694	2,335,145	2,260,743	2,208,447
Public Safety	4,627,091	4,835,792	4,856,945	5,117,045	5,197,167	5,325,929	5,448,627	5,487,635	5,582,209	5,682,551
Public Works	1,492,740	1,730,028	1,506,961	1,675,184	2,011,900	1,836,272	2,213,594	2,287,317	2,505,069	2,208,537
Health and Welfare	146,388	163,984	153,858	187,027	193,322	192,202	173,292	270,532	176,302	188,475
Building Code Enforcement	297,039	300,851	296,729	312,324	305,412	330,889	311,856	281,487	300,369	293,754
Community Development	190,682	189,330	157,973	135,732	137,049	143,365	120,608	141,562	134,556	139,292
Culture and Recreation	1,173,744	1,211,861	1,227,366	1,346,643	1,192,119	1,222,948	1,314,911	1,374,555	1,514,038	1,715,405
Golf Course	-	-	-	-	121,589	50,000	140,000	186,065	25,000	-
Education	7,006,578	4,491,562	2,378,756	2,632,885	7,339,934	2,342,086	2,543,220	2,597,928	2,494,735	2,728,086
Airport	-	-	-	145,000	145,000	145,000	145,000	228,825	145,000	145,000
Special Appropriations	202,146	198,330	187,080	107,170	91,572	111,572	246,672	244,672	256,118	301,370
Debt Service:										
Principal	785,489	769,570	803,834	2,987,570	874,485	866,010	1,009,454	974,741	1,247,783	1,024,411
Interest	329,227	346,423	320,354	244,168	302,493	396,780	384,160	490,623	356,853	330,109
Paying Agent Fees	3,539	690	3,140	39,930	105,805	2,346	5,498	19,596	7,678	4,378
Lease Payments	51,215	-	-	-	-	-	-	-	-	-
Contributions to OPEB Trust	-	-	-	-	-	-	1,785,783	122,000	100,000	20,000
Other Operating Expenditures	194,367	121,278	566,416	28,057	6,746	6,775	61,750	30,153	29,435	34,690
Capital Outlay	1,540,221	265,081	880,923	649,898	999,099	1,034,665	890,678	767,301	1,116,716	3,044,143
TOTAL EXPENDITURES	21,100,976	17,618,248	15,097,470	17,258,690	20,590,630	15,727,191	18,961,797	17,840,137	18,252,604	20,068,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,605,012)	(3,083,047)	(404,902)	(2,810,993)	(5,804,377)	(722,927)	(3,176,546)	(1,540,636)	(2,110,315)	(3,830,518)
OTHER FINANCING SOURCES (USES)										
Capital Outlay Note Proceeds	1,200,000	-	252,000	-	441,838	394,300	177,500	-	-	450,800
Bond Proceeds	505,000	-	-	2,153,495	5,490,253	-	-	5,608,969	-	-
Capital Lease	144,036	-	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow	-	-	-	-	(374,567)	-	-	(2,521,331)	-	-
Transfers In	1,417,455	971,269	995,246	1,214,321	1,122,035	1,507,115	1,488,906	1,580,189	4,071,036	1,375,772
Transfers Out	(870,959)	(499,983)	(561,466)	(461,905)	(271,909)	(19,277)	(14,000)	(146,000)	(2,791,757)	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,395,532	471,286	685,780	2,905,911	6,407,650	1,882,138	1,652,406	4,521,827	1,279,279	1,806,572
Net Change in Fund Balances	\$ (4,209,480)	(2,611,761)	280,878	94,918	603,273	1,159,211	(1,524,140)	2,981,191	(831,036)	(2,023,946)
Debt Service as a Percentage of Noncapital Expenditures	5.70%	6.43%	7.91%	19.46%	6.01%	8.59%	7.71%	8.58%	9.36%	7.96%

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
June 30, 2019

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2018</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, 2019</u>
2019	\$ -	-	4,938,131	-	-	4,938,131
2018	-	4,931,293	-	(4,703,703)	-	227,590
2017	258,607	-	-	(193,354)	(12,165)	53,088
2016	39,101	-	-	(23,649)	(1,813)	13,639
2015	13,069	-	-	(5,040)	(587)	7,442
2014	1,037	-	-	(319)	(354)	364
2013	427	-	-	-	(122)	305
2012	466	-	-	-	(369)	97
2011	400	-	-	-	(306)	94
2010	320	-	-	-	(224)	96
2009	489	-	-	-	(489)	-
2008	552	-	-	-	(552)	-
2007	5,588	-	-	-	(5,588)	-
2006	815	-	-	-	(815)	-
Total	<u>\$ 320,871</u>	<u>4,931,293</u>	<u>4,938,131</u>	<u>(4,926,065)</u>	<u>(23,384)</u>	<u>5,240,846</u>

As of October 1, 2018, 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 Tax Years

Tax Year	Total		Ratio of Assessed To Actual Value	Tax Rate
	Assessed	Estimated Value		
2018	\$ 270,705,076	\$ 889,799,278	30%	\$ 1.79
2017	270,705,076	889,799,278	30%	1.79
2016	269,279,530	883,856,268	30%	1.80
2015	263,351,576	866,721,092	30%	1.82
2014	262,250,006	862,777,585	30%	1.82
2013	260,379,895	857,151,926	30%	1.78
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

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2019

	Fiscal Year 2019
	<hr/>
Total Assessed Property	<u>\$ 270,705,076</u>
Legal Debt Limit - 10% of Assessed Value	27,070,508
General Obligation Debt	<u>(15,060,000)</u>
Margin for Additional Borrowing	<u>\$ 12,010,508</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Bonded Debt	<u>\$ 6,805,000</u>	<u>6,355,000</u>	<u>5,875,000</u>	<u>7,175,000</u>	<u>11,445,000</u>	<u>10,700,000</u>	<u>15,045,000</u>	<u>17,805,000</u>	<u>16,385,000</u>	<u>15,060,000</u>
Assessed Valuation	<u>\$ 216,894,208</u>	<u>217,675,911</u>	<u>254,482,827</u>	<u>253,660,813</u>	<u>260,379,895</u>	<u>262,250,006</u>	<u>263,351,576</u>	<u>269,279,530</u>	<u>270,705,076</u>	<u>270,705,076</u>
Ratio of General Bonded Debt to Assessed Value	<u>3.14%</u>	<u>2.92%</u>	<u>2.31%</u>	<u>2.83%</u>	<u>4.40%</u>	<u>4.08%</u>	<u>5.71%</u>	<u>6.61%</u>	<u>6.05%</u>	<u>5.56%</u>
Bonded Debt per Capita Based on Census	<u>\$ 14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>
Bonded Debt per Capita	<u>\$ 480</u>	<u>448</u>	<u>414</u>	<u>506</u>	<u>807</u>	<u>755</u>	<u>1,061</u>	<u>1,256</u>	<u>1,156</u>	<u>1,062</u>

See Independent Auditors' Report.

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

<u>Fund</u>	Tax Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund	<u>\$ 1.78</u>	<u>1.78</u>	<u>1.78</u>	<u>1.78</u>	<u>1.78</u>	<u>1.82</u>	<u>1.82</u>	<u>1.80</u>	<u>1.79</u>	<u>1.79</u>
 <u>Assessed Valuation</u>										
Real and Personal	\$ 216,806,543	217,588,876	244,388,947	253,566,567	260,287,677	262,160,125	263,263,689	269,193,079	270,630,859	270,632,592
Public Utility	<u>87,665</u>	<u>87,035</u>	<u>93,880</u>	<u>94,246</u>	<u>92,218</u>	<u>89,881</u>	<u>87,887</u>	<u>86,451</u>	<u>74,217</u>	<u>72,484</u>
Total Assessed Valuation	<u>\$ 216,894,208</u>	<u>217,675,911</u>	<u>244,482,827</u>	<u>253,660,813</u>	<u>260,379,895</u>	<u>262,250,006</u>	<u>263,351,576</u>	<u>269,279,530</u>	<u>270,705,076</u>	<u>270,705,076</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
UTILITY RATES FOR WATER AND SEWER, NUMBER OF CUSTOMERS
June 30, 2019

	Inside Corporate Limits of City		Outside Corporate Limits of City	
<u>Water Meter Rates for Residential Commercial, and Industrial</u>				
1,000 gallons or less	Minimum	\$ 18.95/m	Minimum	\$25.84/m
Above 1,000 to 500,000 gallons		4.69/m		8.27/m
Above 500,000 to 1,000,000 gallons		3.01/m		5.18/m
Above 1,000,000 gallons		2.89/m		4.85/m
<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		16.94		21.38
Cost per 1,000 gallons up to 9,000 gallons		3.53		6.61
Cost per 1,000 gallons over 9,000 gallons		3.53		4.81
<u>Number of Customers</u>				
Water (Inside and Outside)		11,699		
Sewer (Inside and Outside)		5,683		

*m = 1,000 gallons

See Independent Auditors' Report.

?	Click to access definition
+	Click to add a comment

Water Audit Report for: City of Elizabethton (0000221)
Reporting Year: 18-19 7/2018 - 6/2019

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:	<input type="text" value="8"/>	1,638.335	MG/Yr	<input type="text" value="5"/>	1.50%	<input type="text" value=""/>	MG/Yr
Water imported:	<input type="text" value="8"/>	109.353	MG/Yr	<input type="text" value="8"/>	1.50%	<input type="text" value=""/>	MG/Yr
Water exported:	<input type="text" value="8"/>	0.002	MG/Yr	<input type="text" value=""/>		<input type="text" value=""/>	MG/Yr

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="9"/>	682.365	MG/Yr	<input type="text" value=""/>		<input type="text" value=""/>	MG/Yr
Billed unmetered:	<input type="text" value="8"/>	0.000	MG/Yr	<input type="text" value=""/>		<input type="text" value=""/>	MG/Yr
Unbilled metered:	<input type="text" value="8"/>	1.612	MG/Yr	<input type="text" value=""/>		<input type="text" value=""/>	MG/Yr
Unbilled unmetered:	<input type="text" value="5"/>	21.523	MG/Yr	<input type="text" value=""/>		<input type="text" value=""/>	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

1,016.358 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

Customer metering inaccuracies: 10.416 MG/Yr
 Systematic data handling errors: 1.706 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: **1,016.358** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 330.0 miles
 Number of active AND inactive service connections: 12,631
 Service connection density: 38 conn./mile main

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

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

Average operating pressure: 90.0 psi

COST DATA

Total annual cost of operating water system: \$5,046,253 \$/Year
 Customer retail unit cost (applied to Apparent Losses): \$9.09 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): \$686.49 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 80 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: Unauthorized consumption
- 3: Systematic data handling errors

(Continued)

Water Audit Report for: **City of Elizabethton (0000221)**

Reporting Year: **18-19** **7/2018 - 6/2019**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***

System Attributes:

Apparent Losses:	16.426	MG/Yr
+ Real Losses:	999.931	MG/Yr
= Water Losses:	1,016.358	MG/Yr

? Unavoidable Annual Real Losses (UARL): **120.89** MG/Yr

Annual cost of Apparent Losses: **\$149,316**

Annual cost of Real Losses: **\$686,443**

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: **60.4%**
Non-revenue water as percent by cost of operating system: **16.9%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **3.56** gallons/connection/day
Real Losses per service connection per day: **216.89** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **2.41** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **999.93** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **8.27**

* 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, 2019

<u>Residential Rate Schedule</u>	<u>RS</u>
Customer Charge -	
per delivery point per month	\$13.29
Energy Charge - per kWh per month	\$0.10021

<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 (Demand 0 - 5,000kW)	\$14.46
Per delivery point per month (Demand 5,000 - 12,000kW)	\$1,500.00
Energy Charge - per kWh per month	\$0.11005
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	\$14.11
Energy charge - per kWh per month	
First 15,000 kWh	\$0.10988
Additional kWh per month	\$0.06433

<i>Part 3.</i>	
Customer Charge	
Per delivery point per month	\$150.00
Demand Charge - per kW per month	
First 1,000 kW	\$14.99
Excess over 1,000 kW	\$16.57
Excess of higher of 2,500 kW or contract demand	\$0.06429
Energy Charge - per kWh per month	
First 15,000 kWh	\$0.06429
Additional kWh	\$0.06429

<u>Outdoor Lighting Rate Schedule</u>	<u>LS</u>
Customer Charges	
Per delivery point per month	\$3.70
Energy Charge - per kWh	\$0.06654

<u>Number of Customers</u>	
Residential	22,972
General	3,257
Street, Athletic and Outdoor Lighting	227
Total Customers	<u>26,456</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, 2019, 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 13, 2019. 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

City of Elizabethton, Tennessee
Independent Auditors' Report on Internal
Control over Financial Reporting and on Compliance
and Other Matters

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.

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 entity'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, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 13, 2019

CITY OF ELIZABETHTON, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2019

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2018-001	General Ledger Maintenance - Elizaebthton Municipal Golf Course	Corrected