



**CITY OF ELIZABETHTON, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2013**

**CITY OF ELIZABETHTON, TENNESSEE**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2013**

**CITY OF ELIZABETHTON, TENNESSEE**  
**TABLE OF CONTENTS**  
**June 30, 2013**

---

	<u>PAGE NUMBER</u>
 I. FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19
Statement of Net Position - Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Statement of Net Position - Fiduciary Fund	32
Statement of Changes in Net Position - Fiduciary Fund	33
 Notes to the Financial Statements	 34
 Required Supplementary Information	
Schedule of Funding Progress	91
Schedule of Funding Progress of Other Post-Employment Benefits Other Than Pensions	92
 Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	93
Combining Balance Sheet - Nonmajor Capital Project Funds	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Project Funds	96

**CITY OF ELIZABETHTON, TENNESSEE**  
**TABLE OF CONTENTS**  
**June 30, 2013**

---

	<u>PAGE NUMBER</u>
 I. FINANCIAL SECTION (CONTINUED)	
Combining and Individual Fund Statements and Schedules (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual:	
Police Drug Enforcement Fund	97
Police Community Relations Fund	98
Police Equipment Fund	99
Park and Recreation Capital Projects Fund	100
Joe O'Brien Field Fund	101
Special Capital Projects Fund	102
General Obligation Bond Proceeds Fund	103
Veteran's Walk of Honor Fund	104
Veteran's Walk of Honor Phase II Fund	105
Veteran's War Memorial Fund	106
 II. SUPPLEMENTAL SECTION	
Schedule of Expenditures of Federal Awards	107
Schedule of Expenditures of State Awards	108
Schedule of Interfund Transfers	109
Schedule of Changes in General Bonded Debt and Notes Payable	
- Primary Government	110
Schedule of Bond Principal and Interest Requirements - All Funds	
- Primary Government	111
Schedule of Note Principal and Interest Requirements - All Funds	
- Primary Government	112
 III. OTHER SUPPLEMENTAL SECTION (UNAUDITED)	
Net Position by Component	113
Changes in Net Position	114
Fund Balances of Governmental Funds	116
Changes in Fund Balances of Governmental Funds	117
Combined Schedule of Changes in Taxes Receivable	118
Assessed and Estimated Actual Value of Property	119
Computation of Legal Debt Margin	120

**CITY OF ELIZABETHTON, TENNESSEE**  
**TABLE OF CONTENTS**  
**June 30, 2013**

---

	<u>PAGE NUMBER</u>
III. OTHER SUPPLEMENTAL SECTION (UNAUDITED) (CONTINUED)	
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita	121
Tax Rates and Assessments	122
Utility Rates for Water and Sewer, Number of Customers	123
Schedule of Unaccounted for Water	124
Current Utility Rates and Number of Customers	125
III. 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 <i>Government Auditing Standards</i>	126
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance Required by OMB Circular A-133	128
Schedule of Findings and Questioned Costs	130

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

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

### 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Elizabethton Municipal Airport (the Airport), which represent twenty-two percent, twenty-six percent, and four percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, 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 of Elizabethton, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the City adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for the year ended June 30, 2013. The City of Elizabethton early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* which has an effective date of June 30, 2014.

### ***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 on pages 4 through 12 and 91 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements.



The combining and individual nonmajor fund financial statements, supplemental, and other supplemental section, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The other supplemental section has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Blackburn, Childers & Steagall, P.C.*  
BLACKBURN, CHILDERS & STEAGALL, P.C.  
Johnson City, Tennessee

November 26, 2013

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

As management of the City of Elizabethton, Tennessee (the City), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

**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 **\$83,275,994** (*net position*). Of this amount, **\$59,067,501** is net investment in capital assets.
- The City's total net position increased by **\$6,159,470**.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$7,787,392**. Of this amount, **\$173,751** is Non-Spendable, **\$498,092** is Restricted, **\$4,110,362** is Committed, **\$406,604** is Assigned and **\$2,598,583** is Unassigned Fund Balance.
- At the end of the current fiscal year, fund balance for the general fund was **\$7,190,218** or **42%** of total general fund expenditures including transfers out. This balance included **\$148,751 Non-Spendable**, **\$313,632 Restricted**, **\$3,918,887 Committed**, **\$210,365 Assigned** and **\$2,598,583 Unassigned Fund Balance**.
- The City's total debt decreased by **\$1,669,802 (3%)** during the current fiscal year, excluding the OPEB 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.

Changes to the report as a result of implementation of new GASB standards:

- 1) The government-wide financial statements (pages 13-14) and the proprietary funds (pages 27-31) refer to "Net Position" as opposed to "Net Assets".
- 2) The Municipal Airport is now a discretely presented component unit (GASB 61) and now is only reflected on pages 13-14 along with the School Board and Golf Course. Previously, the Airport was reflected as a blended component unit. The capital assets and debt sections for the proprietary funds now do not reflect the Airport.

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

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.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, public welfare, city services and education.

The business-type activities of the City include water and sewer, electric department and sanitation. The government-wide financial statements can be found on pages 13 through 14 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 fourteen (14) individual governmental funds. In the current year, the City maintains twelve (12) individual governmental funds. Fund 186 – Veterans Memorial and Fund 187 – Veterans Walk of Honor was combined into Fund 188 – Veterans Walk of Honor Phase 2. Eleven (11) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and non-major governmental funds, all of which are combined into a single, aggregate presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 15 through 26 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.

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**Proprietary Funds.** The City maintains proprietary funds including enterprise funds to track costs of specific activities that generate their own revenue. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water/sewer, electric department, and sanitation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer, electric, and sanitation. The basic proprietary fund financial statements can be found on pages 27 through 31 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 34 through 90 of this report.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 93 through 106 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 **\$83,275,994** at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (**71%**) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Current Assets	\$ 13,123,103	13,063,132	30,838,442	28,859,872	43,961,545	41,923,004
Other Assets	-	99,120	1,387,687	2,479,032	1,387,687	2,578,152
Plant and Equipment (Net)	12,742,861	12,804,230	103,497,975	97,605,627	116,240,836	110,409,857
Total Assets	25,865,964	25,966,482	135,724,104	128,944,531	161,590,068	154,911,013
<b>Deferred Outflows of Resources:</b>						
Deferred Bond Refunding Costs	-	-	53,399	-	53,399	-
Total Deferred Outflow of Resources	0	0	53,399	0	53,399	0
<b>Liabilities:</b>						
Current Liabilities	1,448,943	6,073,819	15,805,557	15,877,661	17,254,500	21,951,480
Other Liabilities	7,675,019	8,303,447	48,832,120	49,241,459	56,507,139	57,544,906
Total Liabilities	9,123,962	14,377,266	64,637,677	65,119,120	73,761,639	79,496,386
<b>Deferred Inflows of Resources:</b>						
Deferred Revenues - Property Tax	4,605,834	-	-	-	4,605,834	-
Total Deferred Inflow of Resources	4,605,834	0	0	0	4,605,834	0
<b>Net Position:</b>						
Net Investment in Capital Assets	5,349,627	4,762,715	53,717,874	46,949,602	59,067,501	51,712,317
Unrestricted	6,786,541	6,826,501	17,421,952	16,669,431	24,208,493	23,495,932
<b>Total Net Position</b>	<b>\$ 12,136,168</b>	<b>11,589,216</b>	<b>71,139,826</b>	<b>63,619,033</b>	<b>83,275,994</b>	<b>75,208,249</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

The government's net position **increased \$6,159,470** during the current fiscal year. Of the total change, governmental activities increased **\$646,072** while business-type activities increased **\$5,513,398**

The following is a summary of financial activities for the City during the 2013 fiscal year:

City of Elizabethton CHANGE IN NET POSITION As of June 30, 2013						
	Governmental Activities		Business-Type Activities		Total	
Revenues	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$ 1,365,426	1,238,789	65,500,427	61,865,252	66,865,853	63,104,041
Operating Grants	43,669	25,707	-	-	43,669	25,707
Capital Grants	4,778	289,944	590,609	191,821	595,387	481,765
Total Program Revenues	1,413,873	1,554,440	66,091,036	62,057,073	67,504,909	63,611,513
General Revenues:						
Property Taxes	4,712,052	4,588,415	-	-	4,712,052	4,588,415
Other Taxes	4,559,147	5,099,334	-	-	4,559,147	5,099,334
Miscellaneous	2,950,136	2,458,486	43,168	70,851	2,993,304	2,529,337
Total General Revenues	12,221,335	12,146,235	43,168	70,851	12,264,503	12,217,086
<b>Total Revenues</b>	<b>13,635,208</b>	<b>13,700,675</b>	<b>66,134,204</b>	<b>62,127,924</b>	<b>79,769,412</b>	<b>75,828,599</b>
<b>Expenses - Governmental Activities</b>						
General Government	974,186	1,073,396	-	-	974,186	1,073,396
Public Safety	5,482,963	5,160,505	-	-	5,482,963	5,160,505
Public Works	1,958,961	1,804,323	-	-	1,958,961	1,804,323
Health and Welfare	187,911	154,745	-	-	187,911	154,745
Building Code Enforcement	312,324	296,729	-	-	312,324	296,729
Community Development	135,732	157,973	-	-	135,732	157,973
Culture and Recreation	1,504,687	1,359,822	-	-	1,504,687	1,359,822
Education	2,632,885	2,378,756	-	-	2,632,885	2,378,756
Airport	145,000	145,000	-	-	145,000	145,000
Other	135,227	753,496	-	-	135,227	753,496
Interest on Long-Term Debt	271,676	290,917	-	-	271,676	290,917
<b>Total Governmental Activities</b>	<b>13,741,552</b>	<b>13,575,662</b>	<b>0</b>	<b>0</b>	<b>13,741,552</b>	<b>13,575,662</b>
<b>Business-Type Activities:</b>						
Water and Sewer	-	-	8,058,277	7,266,962	8,058,277	7,266,962
Electric Department	-	-	50,851,625	48,790,590	50,851,625	48,790,590
Sanitation	-	-	958,488	1,012,086	958,488	1,012,086
<b>Total Business-Type Activities</b>	<b>0</b>	<b>0</b>	<b>59,868,390</b>	<b>57,069,638</b>	<b>59,868,390</b>	<b>57,069,638</b>
<b>Total Expenses</b>	<b>13,741,552</b>	<b>13,575,662</b>	<b>59,868,390</b>	<b>57,069,638</b>	<b>73,609,942</b>	<b>70,645,300</b>
Transfers	752,416	(289,732)	(752,416)	289,732	-	-
<b>Change in Net Position</b>	<b>646,072</b>	<b>(164,719)</b>	<b>5,513,398</b>	<b>5,348,018</b>	<b>6,159,470</b>	<b>5,183,299</b>
Net Position, Beginning	11,589,216	11,753,935	63,619,033	58,271,015	75,208,249	70,024,950
Prior Period Adjustment	(99,120)	-	2,007,395	-	1,908,275	-
Net Position, Beginning (Restated)	11,490,096	11,753,935	65,626,428	58,271,015	77,116,524	70,024,950
<b>Net Position, Ending</b>	<b>\$ 12,136,168</b>	<b>11,589,216</b>	<b>71,139,826</b>	<b>63,619,033</b>	<b>83,275,994</b>	<b>75,208,249</b>

**Governmental Activities.** Governmental activities increased the City's net position by **\$646,072**. Notes on this can be found in Note 2 on pages 47 through 48 of this report.

**Business-type activities.** Business-type activities increased the City's net position by **\$5,513,398**.

### 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, 2013**

**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 **\$7,787,392**. Of this amount, **\$173,751** is Non-Spendable, **\$498,092** is Restricted, **\$4,110,362** is Committed, **\$406,604** is Assigned, and **\$2,598,583** 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 **\$7,190,218**, including **\$148,751** Non-Spendable, **\$313,632** Restricted, **\$3,918,887** Committed, **\$210,365** Assigned and **\$2,598,583** 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 **15%** of total general fund expenditures and transfers out, while total fund balance represents **42%** of that same amount.

Non-major (other) governmental funds have a fund balance of **\$597,174**. The net **increase** in fund balance during the current year was **\$46,395**.

**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 **\$17,421,952**. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

**Original and Final Budgeted Amounts.** Differences between the original budget and the final amended budget represent an **increase** in appropriations and some of the differences include the following:

<b>\$2,145,000</b>	<b>Funding for the 2012 General Obligation Refunding Bond</b>
<b>160,000</b>	<b>Funding to support the Elizabethton Golf Course</b>
<b>63,000</b>	<b>Funding to cover transfer to Police Drug Fund</b>
<b>40,000</b>	<b>Funding to cover transfer to Police Equipment Fund</b>
<b>210,717</b>	<b>Funding to cover purchase of a Garbage Truck</b>

Of this **increase**, most of the cost was funded from Fund Balance Appropriated. The balance was funded by capital outlay note.

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, 2013.

**CITY OF ELIZABETHTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

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

2013			
General Government	Expenses	Revenues	General Fund Subsidy
General Government	\$ 974,186	835,039	139,147
Public Safety	5,482,963	397,149	5,085,814
Public Works	1,958,961	-	1,958,961
Health and Welfare	187,911	207	187,704
Culture and Recreation	1,504,687	133,031	1,371,656
<b>Total General Fund Subsidy</b>			<b>8,743,282</b>

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to **\$116,240,836** (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:

- New Vehicle for the Water Dept.
- Five New Police Vehicles.
- Replacement of Sewer Lines in the Eastside Community.
- Land Purchase for Replacement of Hampton Spring Water Transmission Line.
- New Fingerprinting Equipment – Carter County Sheriff's Dept./City Police Dept.
- Two New Garbage Trucks/One New Vehicle – Sanitation Department.
- New Gator Vehicle/New Fence at O'Brien Field – Park & Recreation Department.
- New Heavy-Duty Fleet Diagnostic Scan – City Garage.
- New Mixer Waste Water Plant.

**City of Elizabethton  
Total Net Capital Assets  
as of June 30, 2013**

	Governmental		Business - Type		Total	
	2013	2012	2013	2012	2013	2012
Net Capital Assets						
Land	\$ 1,897,344	1,897,344	1,513,969	1,463,969	3,411,313	3,361,313
Water Right	-	-	4,854,169	5,000,000	4,854,169	5,000,000
Library Infrastructure	736,856	707,583	-	-	736,856	707,583
Construction in Progress	674,485	356,127	29,652,544	29,443,023	30,327,029	29,799,150
Buildings and Improvements	3,670,238	3,862,247	13,892,784	14,191,518	17,563,022	18,053,765
Motor Equipment	1,124,151	1,158,454	3,214,766	3,230,163	4,338,917	4,388,617
Office Equipment	599,554	587,911	341,151	368,143	940,705	956,054
Infrastructure	4,040,233	4,234,564	50,028,592	43,908,811	54,068,825	48,143,375
<b>Total Net Capital Assets</b>	<b>\$ 12,742,861</b>	<b>12,804,230</b>	<b>103,497,975</b>	<b>97,605,627</b>	<b>116,240,836</b>	<b>110,409,857</b>



**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

Additional information on the City's capital assets can be found in Note 6 on pages 52 through 54 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding (excluding the OPEB liability) of **\$58,034,996**. All of this debt is backed by the full faith and credit of the government.

City of Elizabethton  
Debt Outstanding  
As of June 30, 2013

	Governmental Funds		Business - Type		Total	
	2013	2012	2013	2012	2013	2012
<b><u>Outstanding Debt</u></b>						
General Obligation	\$ 7,182,433	5,875,000	-	-	7,182,433	5,875,000
Notes Payable	218,233	2,360,803	1,674,646	1,700,530	1,892,879	4,061,333
Revenue Bonds	-	-	48,108,257	48,903,920	48,108,257	48,903,920
Capital Lease	-	-	50,597	73,901	50,597	73,901
Compensated Absences	367,934	362,766	432,896	427,878	800,830	790,644
<b>Total Outstanding Debt</b>	<b>\$ 7,768,600</b>	<b>8,598,569</b>	<b>50,266,396</b>	<b>51,106,229</b>	<b>58,034,996</b>	<b>59,704,798</b>

The City's total debt, excluding the OPEB liability, **decreased \$1,669,802 (3%)** during the current fiscal year. The decrease 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 8 on pages 56 through 66 of this report.

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

- The unemployment rate for the metropolitan statistical area is currently **7.9%**, which is a **decrease of 0.1%** from a year ago. This compares to the state's average unemployment rate of **8.2%** as of July 31, 2012.
- Inflationary trends in the region are comparable to national indexes.
- New construction permitted and inspected over the previous year was **\$23,736,807**, of which **\$19,416,438** is commercial, including **6 permits issued**.
- Local sales tax collections are expected to increase approximately **1.5%** in fiscal year 2014 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 fiscal year 2013-14.

During the current fiscal year, unassigned fund balance in the general fund increased \$491,059. The increase was due to (1) final expenses being less than budget, (2) a planned increase in fund balance, and (3) a transfer of \$198,241 from our LGIP Capital Project account for the construction of the new animal shelter to be disbursed to the contractor for work completed.

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

As the result of a water and sewer cost rate study by the city finance director, water and sewer rates were recommended to be increased by 10% in fiscal year 2009 and a 3% increase for each year until fiscal year 2014 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 and a 5% increase each year until fiscal year 2016. Residential garbage collection rates, as well as commercial and industrial collection rates, remained steady.

**Discretely Presented Component Units**

**-EDUCATION FUND-**

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

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

**-GOLF COURSE-**

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

Elizabethton Municipal Golf Course  
PO Box 340  
Elizabethton, TN 37643  
Phone (423) 542-8051

**-AIRPORT-**

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

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

**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

**CITY OF ELIZABETHTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

**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, 2013**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education	Elizabethton Municipal Golf Course
<b>ASSETS</b>						
Cash and Cash on Hand	\$ 1,320,990	14,323,300	15,644,290	73,439	1,546,427	81,632
Investments	1,177,740	5,792,522	6,970,262	-	-	-
Receivables (Net of Allowances for Uncollectibles)						
Taxes	4,975,432	-	4,975,432	-	-	-
Accounts	48,218	5,884,748	5,932,966	51,279	20,746	187
Notes	121,589	-	121,589	-	-	-
Internal Balances	(32,051)	32,051	-	-	-	-
Due from Other Governments	1,168,834	110,571	1,279,405	153,500	3,769,284	-
Inventories	24,349	1,459,170	1,483,519	57,670	28,567	16,217
Prepaid Expense	2,813	-	2,813	-	-	291
Restricted Assets						
Investments	4,298,641	-	4,298,641	-	-	-
Cash	16,548	3,236,080	3,252,628	-	-	-
Other Assets	-	1,387,687	1,387,687	255	-	-
Capital Assets						
Land	1,897,344	1,513,969	3,411,313	2,428,170	216,170	-
Water Right	-	4,854,169	4,854,169	-	-	-
Construction In Progress	674,485	29,652,544	30,327,029	54,700	356,852	-
Library Infrastructure	736,856	-	736,856	-	-	-
Buildings and Improvements	7,191,984	25,839,032	33,031,016	4,784,295	22,956,431	72,334
Motor Equipment	4,215,656	9,470,310	13,685,966	431,742	1,597,168	778,680
Office Equipment	2,477,727	1,050,912	3,528,639	-	-	13,442
Infrastructure	11,040,163	82,792,046	93,832,209	-	-	1,424,926
Less: Accumulated Depreciation	(15,491,354)	(51,675,007)	(67,166,361)	(2,169,618)	(10,420,657)	(1,644,131)
<b>Total Assets</b>	<b>25,865,964</b>	<b>135,724,104</b>	<b>161,590,068</b>	<b>5,865,432</b>	<b>20,070,988</b>	<b>743,578</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Bond Refunding Costs	-	53,399	53,399	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>53,399</b>	<b>53,399</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>						
Cash Overdraft	-	-	-	-	101,277	-
Accounts Payable	260,171	6,729,011	6,989,182	125,070	542,515	16,246
Retainages Payable	16,548	335,345	351,893	-	-	-
Customer Deposits	-	2,907,039	2,907,039	125	-	-
Advance from TVA	-	1,356,291	1,356,291	-	-	-
Accrued Expenses	71,573	2,240,036	2,311,609	3,858	-	11,180
Due to Other Governments	20,660	-	20,660	-	-	-
Other Liabilities	19,501	74,932	94,433	3,118	-	1,246
Unearned Revenues	-	15,247	15,247	46,413	-	103,411
Other Long-Term Liabilities	-	1,664	1,664	-	-	-
Long-Term Liabilities						
Due Within One Year	1,060,490	2,147,656	3,208,146	115,246	1,882	64,776
Due Within More Than One Year	7,675,019	48,830,456	56,505,475	414,855	2,635,150	204,760
<b>TOTAL LIABILITIES</b>	<b>9,123,962</b>	<b>64,637,677</b>	<b>73,761,639</b>	<b>708,685</b>	<b>3,280,824</b>	<b>401,619</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Revenues - Current Property Tax	4,605,834	-	4,605,834	-	2,706,037	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,605,834</b>	<b>0</b>	<b>4,605,834</b>	<b>0</b>	<b>2,706,037</b>	<b>0</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	5,349,627	53,717,874	59,067,501	5,018,543	14,705,964	375,715
Unrestricted	6,786,541	17,421,952	24,208,493	138,204	(621,837)	(33,756)
<b>TOTAL NET POSITION</b>	<b>\$ 12,136,168</b>	<b>71,139,826</b>	<b>83,275,994</b>	<b>5,156,747</b>	<b>14,084,127</b>	<b>341,959</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education	Elizabethton Municipal Golf Course
<b>Primary Government</b>										
Governmental Activities										
General Government	\$ 974,186	835,039	-	-	(139,147)	-	(139,147)	-	-	-
Public Safety	5,482,963	397,149	30,844	-	(5,054,970)	-	(5,054,970)	-	-	-
Public Works	1,958,961	-	-	-	(1,958,961)	-	(1,958,961)	-	-	-
Health and Welfare	187,911	207	-	-	(187,704)	-	(187,704)	-	-	-
Building Code Enforcement	312,324	-	-	-	(312,324)	-	(312,324)	-	-	-
Community Development	135,732	-	-	-	(135,732)	-	(135,732)	-	-	-
Culture and Recreation	1,504,687	133,031	12,825	4,778	(1,354,053)	-	(1,354,053)	-	-	-
Education	2,632,885	-	-	-	(2,632,885)	-	(2,632,885)	-	-	-
Airport	145,000	-	-	-	(145,000)	-	(145,000)	-	-	-
Other	135,227	-	-	-	(135,227)	-	(135,227)	-	-	-
Interest on Long-Term Debt	271,676	-	-	-	(271,676)	-	(271,676)	-	-	-
Total Governmental Activities	13,741,552	1,365,426	43,669	4,778	(12,327,679)	0	(12,327,679)	0	0	0
Business-Type Activities										
Water and Sewer Fund	8,058,277	8,109,893	-	590,609	-	642,225	642,225	-	-	-
Electric Department	50,851,625	56,216,675	-	-	-	5,365,050	5,365,050	-	-	-
Sanitation Fund	958,488	1,173,859	-	-	-	215,371	215,371	-	-	-
Total Business-Type Activities	59,868,390	65,500,427	0	590,609	0	6,222,646	6,222,646	0	0	0
Total Primary Government	\$ 73,609,942	66,865,853	43,669	595,387	(12,327,679)	6,222,646	(6,105,033)	0	0	0
<b>Component Units</b>										
Airport	\$ 1,078,372	911,835	145,000	2,500	-	-	-	(19,037)	-	-
Education - School Board	22,500,298	598,479	5,536,465	25,894	-	-	-	-	(16,339,460)	-
Golf Course	619,175	699,179	-	-	-	-	-	-	-	80,004
Total Component Units	\$ 24,197,845	2,209,493	5,681,465	28,394	0	0	0	(19,037)	(16,339,460)	80,004
General Revenues										
Taxes										
Property Taxes					4,712,052	-	4,712,052	-	2,688,243	-
Sales Taxes					4,259,793	-	4,259,793	-	2,029,484	-
In-Lieu of Taxes					16,534	-	16,534	-	-	-
Business Taxes					282,820	-	282,820	-	-	-
Other Taxes					494,547	-	494,547	-	89,630	-
Other Local Governments					49,049	-	49,049	-	1,754	-
State Aid					1,943,199	-	1,943,199	-	11,126,930	-
Unrestricted Investment Earnings					7,625	43,168	50,793	35	12,762	50
Loss on Disposal of Capital Assets					-	-	-	-	(1,867)	-
Contributions not Restricted to Specific Programs					-	-	-	-	1,134	-
Miscellaneous					455,716	-	455,716	-	457	-
Transfers					752,416	(752,416)	-	-	-	-
Total General Revenues and Transfers					12,973,751	(709,248)	12,264,503	35	15,948,527	50
Change in Net Position					646,072	5,513,398	6,159,470	(19,002)	(390,933)	80,054
Net Position - Beginning					11,589,216	63,619,033	75,208,249	5,175,749	14,141,564	261,905
Prior Period Adjustments					(99,120)	2,007,395	1,908,275	-	333,496	-
Net Position - Beginning (Restated)					11,490,096	65,626,428	77,116,524	5,175,749	14,475,060	261,905
Net Position - Ending					\$ 12,136,168	71,139,826	83,275,994	5,156,747	14,084,127	341,959

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash on Hand	\$ 787,237	533,753	1,320,990
Investments	1,097,887	79,853	1,177,740
Receivables (Net of Allowances for Uncollectibles)			
Taxes	4,975,432	-	4,975,432
Accounts	43,440	4,778	48,218
Notes	121,589	-	121,589
Due From Other Funds	46,654	2,243	48,897
Due From Other Governments	1,168,834	-	1,168,834
Inventories	24,349	-	24,349
Prepaid Expense	2,813	-	2,813
Restricted Assets - Cash	-	16,548	16,548
Restricted Assets - Investments	4,298,641	-	4,298,641
<b>TOTAL ASSETS</b>	<b>\$ 12,566,876</b>	<b>637,175</b>	<b>13,204,051</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 255,756	4,415	260,171
Retainages Payable	-	16,548	16,548
Other Liabilities	1,597	17,904	19,501
Due to Other Governments	20,660	-	20,660
Due to Other Funds	79,814	1,134	80,948
<b>TOTAL LIABILITIES</b>	<b>357,827</b>	<b>40,001</b>	<b>397,828</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenues - Current Property Tax	4,605,834	-	4,605,834
Deferred Revenues - Unavailable	412,997	-	412,997
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,018,831</b>	<b>0</b>	<b>5,018,831</b>
<b>FUND BALANCES</b>			
Total Non-Spendable	148,751	25,000	173,751
Total Restricted	313,632	184,460	498,092
Total Committed	3,918,887	191,475	4,110,362
Total Assigned	210,365	196,239	406,604
Total Unassigned	2,598,583	-	2,598,583
<b>TOTAL FUND BALANCES</b>	<b>7,190,218</b>	<b>597,174</b>	<b>7,787,392</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,566,876</b>	<b>637,175</b>	<b>13,204,051</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2013**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	\$ 7,787,392
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 \$28,234,215 and the accumulated depreciation is \$(15,491,354).	12,742,861
Other long-term assets not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	412,997
Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds.	(71,573)
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 OPEB benefits, bonds payable, notes payable, capital leases and compensated absences.	<u>(8,735,509)</u>
Total Net Position - Governmental Activities	<u><u>\$ 12,136,168</u></u>

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 9,778,235	-	9,778,235
Licenses and Permits	204,503	-	204,503
Intergovernmental	2,023,092	4,778	2,027,870
Charges for Services	1,563,774	-	1,563,774
Donations	-	12,825	12,825
Fines and Forfeitures	211,988	185,161	397,149
Miscellaneous	455,702	14	455,716
Interest Earnings	7,207	418	7,625
<b>TOTAL REVENUES</b>	<b>14,244,501</b>	<b>203,196</b>	<b>14,447,697</b>
<b>EXPENDITURES</b>			
General Government	1,648,599	1,458	1,650,057
Public Safety	4,957,311	159,734	5,117,045
Public Works	1,675,184	-	1,675,184
Health and Welfare	187,027	-	187,027
Building Code Enforcement	312,324	-	312,324
Community Development	135,732	-	135,732
Culture and Recreation	1,346,643	-	1,346,643
Education	2,632,885	-	2,632,885
Airport	145,000	-	145,000
Special Appropriations	107,170	-	107,170
Debt Service	3,271,668	-	3,271,668
Other Operating Expenses	-	28,057	28,057
Capital Outlay	220,441	429,457	649,898
<b>TOTAL EXPENDITURES</b>	<b>16,639,984</b>	<b>618,706</b>	<b>17,258,690</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,395,483)</b>	<b>(415,510)</b>	<b>(2,810,993)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issue Proceeds	2,153,495	-	2,153,495
Transfers In	752,416	461,905	1,214,321
Transfers Out	(461,905)	-	(461,905)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,444,006</b>	<b>461,905</b>	<b>2,905,911</b>
<b>Net Change in Fund Balances</b>	<b>48,523</b>	<b>46,395</b>	<b>94,918</b>
<b>Fund Balances - Beginning</b>	<b>7,141,695</b>	<b>550,779</b>	<b>7,692,474</b>
<b>Fund Balances - Ending</b>	<b>\$ 7,190,218</b>	<b>597,174</b>	<b>7,787,392</b>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 94,918
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$711,267 exceeds capital outlay expense of \$649,898.	(61,369)
Because some property taxes and grants will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues and grants decreased by this amount for the current year.	(12,489)
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.	(5,168)
Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	2,987,570
The issuance of long-term debt (e.g., bonds and capital outlay notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the amount of current year debt proceeds.	(2,153,495)
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.	11,361
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: OPEB Liability	(216,318)
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	<u>1,062</u>
Change in Net Position of Governmental Activities	<u>\$ 646,072</u>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes				
General Property Taxes				
Current Property Taxes	\$ 4,083,262	4,199,262	4,209,148	9,886
Delinquent Property Taxes	420,137	423,137	411,861	(11,276)
Interest, Penalty and Attorney Fees	60,000	102,000	103,532	1,532
Total General Property Taxes	4,563,399	4,724,399	4,724,541	142
General Sales Tax				
Local Option Sales Tax	3,512,400	3,512,400	3,485,285	(27,115)
Selective Use and Sales Tax				
Local Beer Tax 17%	483,000	483,000	494,547	11,547
In-Lieu of Taxes				
Elizabethton Housing Authority	18,631	18,631	12,713	(5,918)
Brookhaven Homes for Elderly	3,300	3,300	3,821	521
Sycamore Shoals State Park	634	634	-	(634)
Total In-Lieu of Taxes	22,565	22,565	16,534	(6,031)
Gross Receipts Taxes	308,560	308,560	282,820	(25,740)
Local Option	720,650	720,650	774,508	53,858
Total Taxes	9,610,574	9,771,574	9,778,235	6,661

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final	Budgetary and GAAP Basis	Favorable (Unfavorable)
<b>REVENUES (CONTINUED)</b>				
Licenses and Permits				
Licenses				
Business License	2,000	2,000	-	(2,000)
Interest and Penalty	2,000	2,000	-	(2,000)
Beer License	5,000	5,000	5,688	688
Retail Liquor	-	45,000	41,514	(3,486)
Recording Fee	1,000	1,000	-	(1,000)
Electric, Gas and Plumbing	1,000	1,000	195	(805)
Flea Market Table Rentals	1,000	1,000	-	(1,000)
Fireworks	3,000	3,000	1,360	(1,640)
Total Licenses	15,000	60,000	48,757	(11,243)
Special Permits				
Electrical	14,000	14,000	14,915	915
Building	47,000	131,000	130,617	(383)
Plumbing	5,000	5,000	5,432	432
Gas	2,000	2,000	1,943	(57)
Demolition	2,000	2,000	400	(1,600)
Curb Cuts	100	100	-	(100)
Miscellaneous Permits	3,000	3,000	969	(2,031)
Pool	100	100	70	(30)
Moving	1,000	1,000	100	(900)
Erosion and Sediment	2,000	2,000	1,300	(700)
Total Special Permits	76,200	160,200	155,746	(4,454)
Total Licenses and Permits	91,200	220,200	204,503	(15,697)
Intergovernmental Revenue				
Federal through State				
Homeland Security Grant	-	-	12,074	12,074
Library Grant	-	-	1,315	1,315
HIDTA	-	17,000	18,770	1,770
Total Federal through State	0	17,000	32,159	15,159

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Intergovernmental Revenue (Continued)				
State Awards				
TN Dept. of Transportation.-Highway Maint.	62,200	62,200	59,984	(2,216)
TN Dept. of Transportation	2,000	2,000	-	(2,000)
Total State Awards	64,200	64,200	59,984	(4,216)
State Shared Revenues				
City Streets	31,000	31,000	29,053	(1,947)
Public Safety Supplemental Pay	42,000	42,000	40,200	(1,800)
Mixed Drink Tax	26,000	26,000	20,753	(5,247)
Income Tax	177,000	177,000	165,571	(11,429)
Sales Tax	933,800	933,800	979,873	46,073
State Street Aid	385,700	385,700	362,970	(22,730)
Beer Tax	7,000	7,000	7,009	9
TVA Replacement Tax	166,000	166,000	162,418	(3,582)
Excise Tax	118,000	118,000	112,836	(5,164)
Telecommunications Tax	1,000	1,000	1,217	217
State Land Acquisition	2,000	2,000	-	(2,000)
Total State Shared Revenues	1,889,500	1,889,500	1,881,900	(7,600)
Local Government Revenue				
Carter County-Animal Shelter	25,000	25,000	3,282	(21,718)
Carter County-Library	40,000	40,000	31,588	(8,412)
Carter County-Park and Recreation	20,000	20,000	11,281	(8,719)
Overtime Reimbursement Police	12,000	12,000	-	(12,000)
First Judicial Drug Task Force	1,000	1,000	2,898	1,898
Total Local Government Revenue	98,000	98,000	49,049	(48,951)
Total Intergovernmental Revenue	2,051,700	2,068,700	2,023,092	(45,608)

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Charges for Services				
Various General Government Charges				
Garage Services	861,870	861,870	521,861	(340,009)
Elizabethton Water and Sewer Division	800,000	800,000	800,000	-
Special Police Services	70,000	70,000	108,675	38,675
Total Various General Government Charges	1,731,870	1,731,870	1,430,536	(301,334)
Health				
Dog Tags	2,000	2,000	207	(1,793)
Animal Control and Shelter Fees	12,000	12,000	-	(12,000)
Total Health	14,000	14,000	207	(13,793)
Culture and Recreation				
Swimming Pool-Season Tickets	1,000	1,000	280	(720)
Swimming Pool-Daily Tickets	21,000	21,000	16,658	(4,342)
Swimming Pool-Concessions	10,000	10,000	3,226	(6,774)
Baseball-Season Tickets	5,000	12,000	11,068	(932)
Baseball-Daily Tickets	14,000	14,000	13,382	(618)
Baseball-Souvenir Sales	13,000	13,000	12,362	(638)
Baseball-Baseball Cards	1,000	1,000	492	(508)
Baseball-Advertising	26,000	26,000	25,371	(629)
Parks-Concession Sales	31,000	31,000	27	(30,973)
Other Miscellaneous - Park and Recreation	24,000	24,000	12,427	(11,573)
League Entrance Fees	28,000	28,000	21,835	(6,165)
Pavilion Rental	3,000	3,000	1,554	(1,446)
Rental	13,000	13,000	14,349	1,349
Total Culture and Recreation	190,000	197,000	133,031	(63,969)
Total Charges for Services	1,935,870	1,942,870	1,563,774	(379,096)

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
Fines and Forfeitures				
Moving Traffic Fines	77,000	87,000	87,522	522
Fines - Defense Driving School	35,000	35,000	32,705	(2,295)
Court Fines	40,000	56,000	57,177	1,177
Storm Water	-	-	889	889
Sex Offender	1,000	1,000	600	(400)
Financial Responsibility	14,000	14,000	12,810	(1,190)
Illegal Beer Sale Fines	-	-	1,500	1,500
Seized Driver's License	200	200	-	(200)
Library Fines	18,000	18,000	18,785	785
Total Fines and Forfeitures	185,200	211,200	211,988	788
Miscellaneous Revenue				
Rents and Royalties				
TV Cable Franchise	149,000	153,000	152,749	(251)
Natural Gas Franchise	157,000	157,000	129,395	(27,605)
City Property	1,000	1,000	10	(990)
Tennessee Vocational Training Center	73,000	73,000	78,960	5,960
Total Rents and Royalties	380,000	384,000	361,114	(22,886)
Other				
Miscellaneous	109,000	134,000	71,947	(62,053)
Donations	15,000	15,000	22,641	7,641
Total Other	124,000	149,000	94,588	(54,412)
Total Miscellaneous Revenue	504,000	533,000	455,702	(77,298)
Interest Earnings				
Investments	43,000	43,000	7,207	(35,793)
Total Interest Earnings	43,000	43,000	7,207	(35,793)
TOTAL REVENUES	14,421,544	14,790,544	14,244,501	(546,043)

(Continued)



**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General Government				
City Council	56,341	52,361	50,681	1,680
City Judge	16,948	16,948	16,935	13
City Manager	134,140	134,140	122,390	11,750
Financial	350,876	366,222	390,051	(23,829)
Fleet Maintenance	1,011,712	1,009,622	662,013	347,609
Management Information Systems	49,361	40,161	39,834	327
Payroll	38,882	38,881	-	38,881
Purchasing	129,529	107,442	85,720	21,722
City Attorney	74,084	90,084	89,521	563
Personnel	395,223	401,235	191,454	209,781
Capital Outlay	-	-	15,378	(15,378)
Total General Government	2,257,096	2,257,096	1,663,977	593,119
Public Safety				
Police Patrol	3,108,792	3,108,792	3,060,604	48,188
Fire Prevention	1,919,045	1,919,045	1,896,707	22,338
Capital Outlay	111,000	111,000	105,546	5,454
Total Public Safety	5,138,837	5,138,837	5,062,857	75,980
Public Works				
Street Maintenance	1,026,391	923,693	871,734	51,959
Parks and Special Events	4,060	4,360	4,334	26
Stormwater	41,570	36,820	15,279	21,541
Engineering	289,549	289,549	252,369	37,180
Capital Outlay	18,626	25,077	25,868	(791)
Total Public Works	1,380,196	1,279,499	1,169,584	109,915
State Street Aid				
Infrastructure/Other	58,000	137,947	131,575	6,372
Electricity	419,278	435,278	399,893	35,385
Total State Street Aid	477,278	573,225	531,468	41,757

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Health and Welfare				
Animal Shelter Operations	112,554	117,304	117,014	290
Contributions to Non-Profit Organizations	70,023	70,023	70,013	10
Total Health and Welfare	182,577	187,327	187,027	300
Building Code Enforcement				
Enforcement	325,151	324,401	312,324	12,077
Capital Outlay	10,000	11,700	19,446	(7,746)
Total Building Code Enforcement	335,151	336,101	331,770	4,331
Community Development				
Administration	142,353	140,574	135,732	4,842
Total Community Development	142,353	140,574	135,732	4,842
Culture and Recreation				
Administration	75,817	79,566	79,551	15
Swimming Pools	71,528	68,028	60,870	7,158
Athletic Fields and Parks	439,441	452,211	428,800	23,411
Recreation Center	129,596	129,596	131,957	(2,361)
Leagues	125,196	125,776	96,423	29,353
Public Library	473,460	463,160	389,042	74,118
Golf Course	-	160,000	160,000	-
Capital Outlay	29,000	16,230	54,203	(37,973)
Total Culture and Recreation	1,344,038	1,494,567	1,400,846	93,721
Education	2,332,000	2,632,886	2,632,885	1
Airport	145,000	145,000	145,000	-
Special Appropriations to Other Governmental Entities	118,770	118,770	107,170	11,600
Debt Service				
Principal	838,089	2,988,089	2,987,570	519
Interest	297,734	268,634	244,168	24,466
Paying Agent Fees	1,000	40,400	39,930	470
Total Debt Service	1,136,823	3,297,123	3,271,668	25,455

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
TOTAL EXPENDITURES	14,990,119	17,601,005	16,639,984	961,021
Excess (Deficiency) of Revenues over (under) Expenditures	(568,575)	(2,810,461)	(2,395,483)	414,978
OTHER FINANCING SOURCES (USES)				
Bond Issue Proceeds	-	2,145,000	2,153,495	8,495
Transfers				
Elizabethton Electric - In-Lieu of Taxes	704,300	704,300	752,416	48,116
Elizabethton Electric	(4,725)	(4,725)	-	4,725
General Obligation Bond Proceeds - Capital Project	-	(330,905)	(330,905)	-
Parks and Recreation	(131,000)	(131,000)	(131,000)	-
Total Transfers	568,575	237,670	290,511	52,841
TOTAL OTHER FINANCING SOURCES (USES)	568,575	2,382,670	2,444,006	61,336
Net Change in Fund Balances	-	(427,791)	48,523	476,314
Fund Balances, July 1, 2012	7,141,695	7,141,695	7,141,695	-
Fund Balances, June 30, 2013	<u>\$ 7,141,695</u>	<u>6,713,904</u>	<u>7,190,218</u>	<u>476,314</u>

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets				
Cash and Cash on Hand	\$ 666,375	13,199,128	457,797	14,323,300
Investments	1,304,477	4,398,027	90,018	5,792,522
Accounts Receivable-Net	395,019	5,427,892	61,837	5,884,748
Inventories	508,594	950,576	-	1,459,170
Due from Other Funds	-	116,481	85	116,566
Due from Other Governments	110,571	-	-	110,571
Total Current Assets	<u>2,985,036</u>	<u>24,092,104</u>	<u>609,737</u>	<u>27,686,877</u>
Capital Assets				
Land	596,025	602,694	315,250	1,513,969
Water Right	4,854,169	-	-	4,854,169
Construction In Progress	1,943,474	27,709,070	-	29,652,544
Buildings and Improvements	23,538,001	2,301,031	-	25,839,032
Motor Equipment	3,765,971	4,245,474	1,458,865	9,470,310
Office Equipment	331,840	704,506	14,566	1,050,912
Infrastructure	21,229,709	61,562,337	-	82,792,046
Less: Accumulated Depreciation	<u>(27,014,901)</u>	<u>(24,023,603)</u>	<u>(636,503)</u>	<u>(51,675,007)</u>
Total Capital Assets	<u>29,244,288</u>	<u>73,101,509</u>	<u>1,152,178</u>	<u>103,497,975</u>
Other Noncurrent Assets				
Restricted Cash - Customer Deposits	533,445	2,373,594	-	2,907,039
Restricted Cash - Retainages	33,180	295,861	-	329,041
Other Assets	-	1,387,687	-	1,387,687
Total Other Noncurrent Assets	<u>566,625</u>	<u>4,057,142</u>	<u>0</u>	<u>4,623,767</u>
<b>TOTAL ASSETS</b>	<u>32,795,949</u>	<u>101,250,755</u>	<u>1,761,915</u>	<u>135,808,619</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Bond Refunding	-	53,399	-	53,399
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>53,399</u>	<u>0</u>	<u>53,399</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	242,131	6,463,790	23,090	6,729,011
Retainages Payable	33,180	302,165	-	335,345
Customer Deposits	533,445	2,373,594	-	2,907,039
Other Current Liabilities	28,382	46,550	-	74,932
Accrued Payroll	4,335	-	48	4,383
Accrued Interest	1,618,969	615,178	1,506	2,235,653
Unearned Revenue	15,247	-	-	15,247
Due to Other Funds	59,797	6,970	17,748	84,515
Bonds Payable	924,802	960,000	-	1,884,802
Notes Payable	-	-	73,731	73,731
Capital Leases	24,609	-	-	24,609
Compensated Absences	59,851	98,506	6,157	164,514
Total Current Liabilities	<u>3,544,748</u>	<u>10,866,753</u>	<u>122,280</u>	<u>14,533,781</u>

(Continued)

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	
LIABILITIES (CONTINUED)				
Long-Term Liabilities				
Bonds Payable	11,030,872	35,162,015	-	46,192,887
Bond Premium	30,568	-	-	30,568
Notes Payable	-	-	272,293	272,293
State Loans Payable	1,328,622	-	-	1,328,622
Capital Lease	25,988	-	-	25,988
Advance from TVA	-	1,356,291	-	1,356,291
Other Long-Term Liabilities	-	1,664	-	1,664
Compensated Absences	49,031	218,863	488	268,382
OPEB Liability	300,530	360,954	50,232	711,716
Total Long-Term Liabilities	<u>12,765,611</u>	<u>37,099,787</u>	<u>323,013</u>	<u>50,188,411</u>
TOTAL LIABILITIES	<u>16,310,359</u>	<u>47,966,540</u>	<u>445,293</u>	<u>64,722,192</u>
NET POSITION				
Net Investment in Capital Assets	15,878,827	37,032,893	806,154	53,717,874
Unrestricted	<u>606,763</u>	<u>16,304,721</u>	<u>510,468</u>	<u>17,421,952</u>
TOTAL NET POSITION	<u>\$ 16,485,590</u>	<u>53,337,614</u>	<u>1,316,622</u>	<u>71,139,826</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 Fiscal Year Ended June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for Services	\$ 8,109,893	56,216,675	1,173,859	65,500,427
OPERATING EXPENSES				
Wages and Employee Benefits	2,847,251	-	287,514	3,134,765
Purchases of Power, Water and Other	-	41,510,181	-	41,510,181
Other Operating Expenses	1,598,344	4,937,384	35,836	6,571,564
Maintenance	75,830	1,245,065	155,316	1,476,211
Tax Equivalent	-	625,778	-	625,778
Treatment, Transmissions and Utilities	831,480	-	-	831,480
Landfill	-	-	409,657	409,657
Administrative	800,000	-	-	800,000
Amortization	147,983	-	-	147,983
Depreciation	1,225,368	1,805,546	66,159	3,097,073
TOTAL OPERATING EXPENSES	7,526,256	50,123,954	954,482	58,604,692
OPERATING INCOME (LOSS)	583,637	6,092,721	219,377	6,895,735
NONOPERATING REVENUES (EXPENSES)				
Interest Income	5,044	38,012	112	43,168
Interest Expense and Fiscal Charges	(532,021)	(727,671)	(4,006)	(1,263,698)
TOTAL NONOPERATING REVENUES (EXPENSES)	(526,977)	(689,659)	(3,894)	(1,220,530)
Income (Loss) Before Contributions and Transfers	56,660	5,403,062	215,483	5,675,205
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	-	(752,416)	-	(752,416)
Contributions - Capital Grant Revenue	590,609	-	-	590,609
TOTAL OTHER FINANCING SOURCES (USES)	590,609	(752,416)	0	(161,807)
Change in Net Position	647,269	4,650,646	215,483	5,513,398
NET POSITION, JULY 1, 2012	16,520,727	45,997,167	1,101,139	63,619,033
Prior Period Adjustments	(682,406)	2,689,801	-	2,007,395
NET POSITION, JULY 1, 2012, (RESTATED)	15,838,321	48,686,968	1,101,139	65,626,428
NET POSITION, JUNE 30, 2013	\$ 16,485,590	53,337,614	1,316,622	71,139,826

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received From Customers	\$ 8,192,992	52,880,117	1,174,925	62,248,034
Cash Received from City of Elizabethton for Services	-	1,131,127	-	1,131,127
Cash Received from Rentals and Other Sales	-	1,727,142	-	1,727,142
Cash Payments for Tax Equivalent	-	(448,648)	-	(448,648)
Cash Payments for Employee Services and Benefits	(2,770,180)	(189,163)	(274,840)	(3,234,183)
Cash Payments to Suppliers for Goods and Services	(3,230,723)	(44,798,644)	(622,230)	(48,651,597)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>2,192,089</b>	<b>10,301,931</b>	<b>277,855</b>	<b>12,771,875</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(1,811,786)	(6,905,816)	(167,500)	(8,885,102)
Payments on Capital Lease	(23,304)	-	-	(23,304)
Principal Paid on Bonds Payable	(2,106,740)	(925,000)	-	(3,031,740)
Principal Paid on Notes Payable	-	-	(32,193)	(32,193)
Interest Paid on Bonds and Notes Payable	(297,454)	(754,329)	(3,333)	(1,055,116)
Principal Paid on State Loans Payable	(1,214,324)	-	-	(1,214,324)
Bond Proceeds	2,190,000	-	-	2,190,000
Bond Premium	6,089	-	-	6,089
Grant Proceeds	1,561,942	-	-	1,561,942
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,695,577)</b>	<b>(8,585,145)</b>	<b>(203,026)</b>	<b>(10,483,748)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds	(855)	(752,416)	(85)	(753,356)
Transfers from Other Funds	-	-	511	511
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(855)</b>	<b>(752,416)</b>	<b>426</b>	<b>(752,845)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of Investments	-	4,977,888	-	4,977,888
Purchase of Investments	(455,805)	-	(30,113)	(485,918)
Interest on Investments	5,044	84,466	112	89,622
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(450,761)</b>	<b>5,062,354</b>	<b>(30,001)</b>	<b>4,581,592</b>
Net Increase in Cash and Cash on Hand	44,896	6,026,724	45,254	6,116,874
<b>CASH AND CASH ON HAND AT BEGINNING OF YEAR</b>	<b>1,188,104</b>	<b>9,841,859</b>	<b>412,543</b>	<b>11,442,506</b>
<b>CASH AND CASH ON HAND AT END OF YEAR</b>	<b>\$ 1,233,000</b>	<b>15,868,583</b>	<b>457,797</b>	<b>17,559,380</b>

(Continued)



**CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
NET OPERATING INCOME (LOSS)	\$ 583,637	6,092,721	219,377	6,895,735
Adjustments				
Depreciation and Amortization	1,373,351	1,927,751	66,159	3,367,261
Prior Period Adjustment	-	3,485,516	-	3,485,516
Provision for Uncollectibles	-	(45,021)	-	(45,021)
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivables	83,099	(389,001)	1,066	(304,836)
(Increase) Decrease in Inventories	6,401	(22,536)	-	(16,135)
Increase (Decrease) in Accounts Payable	22,055	(272,980)	(21,421)	(272,346)
Increase (Decrease) in Retainages Payable	33,180	-	-	33,180
Increase (Decrease) in Customer Deposits	12,655	66,178	-	78,833
Increase (Decrease) in Other Current Liabilities	640	(557,733)	-	(557,093)
Increase (Decrease) in Accrued Payroll	4,335	-	48	4,383
Increase (Decrease) in OPEB Liability	56,926	29,069	11,385	97,380
Increase (Decrease) in Compensated Absences	15,810	(12,033)	1,241	5,018
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,192,089</u>	<u>10,301,931</u>	<u>277,855</u>	<u>12,771,875</u>
RECONCILIATION OF CASH AND CASH ON HAND TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and Cash on Hand	\$ 666,375	13,199,128	457,797	14,323,300
Restricted Cash - Customer Deposits	533,445	2,373,594	-	2,907,039
Restricted Cash - Retainages	33,180	295,861	-	329,041
TOTAL CASH AND CASH ON HAND	<u>\$ 1,233,000</u>	<u>15,868,583</u>	<u>457,797</u>	<u>17,559,380</u>

**NONCASH CAPITAL AND FINANCING ACTIVITIES**

During the fiscal year ended June 30, 2013, the Elizabethton Sanitation Fund obtained a capital outlay note in the amount of \$210,717 in order to purchase equipment.

**NONCASH OPERATING ACTIVITIES**

As discussed in Note 19, TVA provided a credit to Elizabethton Electric Department in the amount of \$3,485,516. This was reflected as a credit on the March Power Bill due to an error in billing. The result of this transaction was that TVA did not actually send cash as a result of this error and the Department did not receive cash as part of the prior period adjustment. Therefore, an adjustment to operating income is reflected above.

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, 2013**

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	Military Family Support Private-Purpose Trust
	<hr/>
ASSETS	
Cash	\$ 2,736
	<hr/> <hr/>
NET POSITION	
Held in Trust for Military Families	\$ 2,736
	<hr/> <hr/>

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 Fiscal Year Ended June 30, 2013**

	Military Family Support Private-Purpose Trust
ADDITIONS	
Interest	\$ 2
TOTAL ADDITIONS	2
DEDUCTIONS	
Benefits to Military Families	-
TOTAL DEDUCTIONS	0
CHANGE IN NET Position	2
NET POSITION, JULY 1, 2012	2,734
NET POSITION, JUNE 30, 2013	\$ 2,736

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**The Financial Reporting Entity**

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

**Individual Component Unit Disclosures**

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Individual Component Unit Disclosures (Continued)**

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

Elizabethton Municipal Airport  
150 Airport Road  
Elizabethton, Tennessee 37643

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

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

Elizabethton Municipal Airport

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

Elizabethton Municipal Golf Course

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

The Elizabethton Board of Education

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Related Organizations**

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

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

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

Carter County Tomorrow

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

Carter County Emergency 911 Communications District

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

Carter County Equalization Board

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

Health and Education Facilities Board

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

Watauga Regional Library Board

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

Solid Waste Regional Board

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

Elizabethton Housing Authority

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Related Organizations (Continued)**

Watauga River Regional Water Authority

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

**Joint Venture**

Carter County Solid Waste Disposal System Board

The City appoints two members to the Board and the County appoints two members. A fifth member is jointly approved by both the City Council and the Carter County Commission. Also, the City Manager is an ex-officio member. No appropriation is made by the City to this Board. The City and County have entered into an agreement to jointly and cooperatively operate and maintain a solid waste disposal system for the duration of the life of the Campbell Hollow Solid Waste Sanitary Landfill. The landfill was closed in 2000. The County has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. The postclosure care liability is reported by Carter County. The County bills the City for one-half of the postclosure expenditures per the written agreement. There are no separately issued financial statements for the Landfill.

**Government-Wide and Fund Financial Statements**

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and 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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**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.

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

**2. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectible. The property tax receivable allowance is equal to 2.5% of current taxes and 8.0% of all other years at June 30, 2013. Estimated uncollectible taxes were based on the prior year's collection experience.

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. For the fiscal year ending June 30, 2013, the 2012 calendar year property tax rate was \$1.78 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 fiscal 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.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

**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 fiscal year with a 10% to 25% mark-up for the purpose of charging out to other funds. These are re-valued to cost at year end. The costs of inventory are reported as expenditures when consumed rather than when purchased.

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

**4. Restricted Assets**

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

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

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 and retainages.

**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.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**5. Capital Assets (Continued)**

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

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

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

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

The assets of the Elizabethton Electric Department are being depreciated on the straight-line method over the useful lives per guidelines of the Tennessee Valley Authority (T.V.A.). When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. \$122,205 of depreciation was charged to operating expense per T.V.A. guidelines.

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**6. Compensated Absences**

**Policy of the City of Elizabethton**

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

The proprietary fund financial statements reflect \$432,896 of vacation benefits payable. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Expected future demands of \$367,934 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental activities.

**Policy of the Elizabethton Electric Department**

**Accumulated Vacation:**

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

A liability for compensated absences and related fringe benefits is reflected on the Statement of Net Position at June 30, 2013, in the amount of \$317,369, which is also included in the proprietary fund amount noted within the City's policy. The portion of this liability expected to be paid within one year is classified as a current liability and the remainder as a long-term liability.

**7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**7. Long-Term Obligations (Continued)**

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. Fund Equity**

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

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**8. Fund Equity (Continued)**

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

**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. Deferred Outflows / Inflows of Resources**

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. The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and other deferred/unavailable revenue. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

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

**Elizabethton Electric Department**

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 Elizabethton Electric Department only has one item that qualifies for reporting in this category. Deferred bond refunding costs 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.

**11. Accounting Changes**

In the fiscal year ended June 30, 2013, the City implemented the provisions of three new Governmental Accounting Standards Board (GASB) Statements. These are summarized as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB No. 14 and No. 34)*, modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The Airport changed from being a blended component unit to being discretely presented due to the adoption of this standard. As a result, the proprietary funds' Statement of Revenues, Expenses and Changes in Net Position, as well as the Business-Type Activities beginning Net Position has been restated by a reduction of \$5,175,749, the ending Net Position as of June 30, 2012 for the Airport. Also, the Capital Assets note disclosure's beginning balance for the Business-Type Activities has been restated \$(5,633,923), the June 30, 2012 ending Net Capital Assets for the Airport. The Long-Term Debt note disclosure's beginning balance for the Business-Type Activities has been restated \$(632,662), which was the June 30, 2012 ending long-term debt of the Airport.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections – 2012-an amendment of GASB Statement's No. 10 and No.62*, which have an effective date of June 30, 2014.



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of bonds payable, notes payable, capital leases and compensated absences.” The details of this \$(8,735,509) difference are as follows:

Bonds Payable	\$ (7,175,000)
Deferred Amount on Issuance Premium	(7,433)
Notes Payable	(218,233)
OPEB Liability	(966,909)
Compensated Absences	<u>(367,934)</u>

Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u>(8,735,509)</u>
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**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

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

One element of that reconciliation states that “repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position”. The details of this \$2,987,570 difference are as follows:

Principal Repayments:

General Obligation Debt	\$ 845,000
Notes Payable	<u>2,142,570</u>

Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>2,987,570</u>
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**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

Another element of that reconciliation states that “in the Statement of Activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current year.” The details of this \$(5,168) difference are as follows:

Compensated absences for the prior year	\$ 362,766
Compensated absences for the current year	<u>(367,934)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(5,168)</u></u>

**NOTE 3 - BUDGETARY INFORMATION AND COMPLIANCE**

**A. BUDGETARY REPORTING**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Specifically, the LGIP was established under *Tennessee Code Annotated* Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries.

By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization. The City does not have a policy for other credit risk other than pledging securities for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

**Deposits**

The City's carrying amount of deposits was \$18,896,918 and the bank balance was \$19,284,819.

The bank balances are collateralized or insured as follows:

Amount insured by FDIC or collateralized with State of Tennessee Bank Collateral Pool	<u>\$ 19,284,819</u>
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**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Deposits (Continued)**

The City also manages cash for the Military Family Support Private-Purpose Trust fund. The City's carrying amount of deposits for the fund was \$2,736 and the bank balance was \$2,736. These deposits have not been reflected in the Statement of Net Position. The entire amount of the deposits was covered by the State of Tennessee Collateral Pool.

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

	City of Elizabethton
Carrying Amount of Deposits	<u>\$ 18,896,918</u>
Amounts per Statement of Net Position:	
Cash and Cash on Hand	\$ 15,644,290
Restricted Cash	<u>3,252,628</u>
Total Per Statement of Net Position	<u>\$ 18,896,918</u>

**Investments**

The City and Electric Department invest funds in the State of Tennessee's Local Government Investment Pool and bond proceeds with an investment advisor. The City and Electric Department's interest in the Investment Pool is recorded at fair market value and at June 30, 2013, funds were \$8,568,515. The total investment with the investment firm is recorded at fair value and is \$2,700,388 at June 30, 2013.

	Carrying Amount	Market Value
Local Government Investment Pool	<u>\$ 8,568,515</u>	<u>8,568,515</u>
Bond Fund Investments		
Certificate of Deposit	749,945	749,945
Fixed Agency Securities	250,443	250,443
Municipal Securities	1,700,000	1,700,000
Total Bond Fund Investments	<u>2,700,388</u>	<u>2,700,388</u>
Total Investments	<u>\$ 11,268,903</u>	<u>11,268,903</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Investments (Continued)**

The Electric Department's bond fund investments had the following credit risk structure as of June 30, 2013:

Investment Type	Moody's Credit Rating	Fair Value	Percent of Total
Certificate of Deposit	Unrated	\$ 749,945	28%
Treasury Securities	AA	250,443	9%
Municipal Securities			
Tax-free Municipals	AAA	<u>1,700,000</u>	63%
Total Bond Fund Investments		<u><u>\$ 2,700,388</u></u>	

The Electric Department's investment maturities by type are all less than 1 year.

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

	Governmental Activities	Business-Type Activities	Total
Investments	\$ 1,177,740	5,792,522	6,970,262
Restricted Assets - Investments	4,298,641	-	4,298,641
Total	<u><u>\$ 5,476,381</u></u>	<u><u>5,792,522</u></u>	<u><u>11,268,903</u></u>

**NOTE 5 - RECEIVABLES**

Receivables as of fiscal 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	Nonmajor Governmental Funds	Total
Receivables:						
Accounts	\$ 43,440	429,482	5,556,541	64,140	4,778	6,098,381
Taxes	4,999,578	-	-	-	-	4,999,578
Notes Receivable	121,589	-	-	-	-	121,589
Due from Other Governments	<u>1,168,834</u>	<u>110,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,279,405</u>
Gross Receivables	6,333,441	540,053	5,556,541	64,140	4,778	12,498,953
Less: Allowance for Uncollectibles	<u>(24,146)</u>	<u>(34,463)</u>	<u>(128,649)</u>	<u>(2,303)</u>	<u>-</u>	<u>(189,561)</u>
Total Receivables	<u><u>\$ 6,309,295</u></u>	<u><u>505,590</u></u>	<u><u>5,427,892</u></u>	<u><u>61,837</u></u>	<u><u>4,778</u></u>	<u><u>12,309,392</u></u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,897,344	-	-	1,897,344
Construction in Progress	356,127	330,905	(12,547)	674,485
Library Infrastructure	707,583	29,273	-	736,856
Total Capital Assets, Not Being Depreciated	2,961,054	360,178	(12,547)	3,308,685
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,179,193	12,791	-	7,191,984
Motor Equipment	4,140,918	184,370	(109,632)	4,215,656
Office Equipment	2,379,347	98,380	-	2,477,727
Infrastructure	11,033,437	6,726	-	11,040,163
Total Capital Assets, Being Depreciated	24,732,895	302,267	(109,632)	24,925,530
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,316,946)	(204,800)	-	(3,521,746)
Motor Equipment	(2,982,464)	(218,673)	109,632	(3,091,505)
Office Equipment	(1,791,436)	(86,737)	-	(1,878,173)
Infrastructure	(6,798,873)	(201,057)	-	(6,999,930)
Total Accumulated Depreciation	(14,889,719)	(711,267)	109,632	(15,491,354)
Total Capital Assets, Being Depreciated, Net	9,843,176	(409,000)	0	9,434,176
Governmental Activities, Capital Assets, Net	\$ 12,804,230	(48,822)	(12,547)	12,742,861

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Primary Government (Continued)**

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,463,969	50,000	-	-	1,513,969
Water Right	5,000,000	-	(145,831)	-	4,854,169
Construction in Progress	29,443,023	9,237,396	(8,987,275)	(40,600)	29,652,544
Total Capital Assets, Not Being Depreciated	35,906,992	9,287,396	(9,133,106)	(40,600)	36,020,682
Capital Assets, Being Depreciated:					
Buildings and Improvements	25,642,345	196,687	-	-	25,839,032
Motor Equipment	8,919,148	545,387	-	5,775	9,470,310
Office Equipment	1,041,784	9,128	-	-	1,050,912
Infrastructure	76,321,577	7,987,774	(1,517,305)	-	82,792,046
Total Capital Assets, Being Depreciated	111,924,854	8,738,976	(1,517,305)	5,775	119,152,300
Less Accumulated Depreciation For:					
Buildings and Improvements	(11,380,690)	(565,558)	-	-	(11,946,248)
Motor Equipment	(5,759,122)	(496,422)	-	-	(6,255,544)
Office Equipment	(673,641)	(36,120)	-	-	(709,761)
Infrastructure	(32,412,766)	(2,121,178)	1,770,490	-	(32,763,454)
Total Accumulated Depreciation	(50,226,219)	(3,219,278)	1,770,490	-	(51,675,007)
Total Capital Assets, Being Depreciated, Net	61,698,635	5,519,698	253,185	5,775	67,477,293
Business-Type Activities, Capital Assets, Net	\$ 97,605,627	14,807,094	(8,879,921)	(34,825)	103,497,975

As a result of the implementation of GASB 61, the beginning balance column has been adjusted by a reduction of \$5,633,923, which was the June 30, 2012 Net Capital Assets for the Elizabethton Municipal Airport, which was previously presented as a blended component unit. With the implementation of GASB 61, the Elizabethton Municipal Airport is now reflected as a discretely presented component unit.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Primary Government (Continued)**

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

Governmental Activities	
General Government	\$ 100,783
Public Safety	227,232
Public Works - including general infrastructure assets	259,955
Health and Welfare	884
Culture and Recreation	119,807
Drug Fund	2,606
Total Depreciation Expense - Governmental Activities	<u>\$ 711,267</u>
Business-Type Activities	
Electric Department	\$ 1,927,751
Water and Sewer	1,225,368
Sanitation	66,159
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,219,278</u>

A total of \$122,205 of depreciation expense for the Electric Department was charged to transportation expense.

**NOTE 7 - CAPITAL LEASES**

**Primary Government**

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

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

Water and Sewer Equipment	\$ 232,640
Less: Accumulated Depreciation	<u>(91,612)</u>
	<u>\$ 141,028</u>



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 7 - CAPITAL LEASES (CONTINUED)**

**Primary Government (Continued)**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Sewer Equipment	\$ 73,901	-	23,304	50,597	24,609
	<u>\$ 73,901</u>	<u>0</u>	<u>23,304</u>	<u>50,597</u>	<u>24,609</u>

Future payments required under the capital leases are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 24,609	2,833	27,442
2015	25,988	1,455	27,443
	<u>\$ 50,597</u>	<u>4,288</u>	<u>54,885</u>

**NOTE 8 - LONG-TERM DEBT**

**Current Refunding**

On July 27, 2012, the City issued \$4,335,000 of General Obligation Refunding Bond, Series 2012, with an interest rate from .25% to 2.00%, in order to refund portions of outstanding long-term debt. The Bonds were issued for the purpose of providing funding to refund the outstanding balances on various series of bonds, capital outlay notes and state revolving loan agreements. The issued amount of \$4,335,000 was split between the governmental fund in the amount of \$2,145,000 and the water and sewer fund in the amount of \$2,190,000. The net proceeds of \$4,281,027 (after issue cost of \$72,862, plus premium of \$18,889) were used to refund various debt with a total principal amount of \$4,268,128. The governmental funds received net proceeds of \$2,117,442 and the water and sewer fund received \$2,163,585. The governmental fund debt refunded from the prior year was in the amount of \$2,108,804. The water and sewer fund debt refunded from the previous year was \$2,159,324. There was a refunding premium in the amount of \$18,889. Governmental funds received a premium in the amount of \$8,495 and the water and sewer fund received \$10,394.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

During the fiscal year ended June 30, 2013, the following debt transactions occurred.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Debt	\$ 5,875,000	2,145,000	845,000	7,175,000	840,000
Add: Deferred Amount on Issuance Premium	-	8,495	1,062	7,433	-
OPEB Liability	750,591	216,318	-	966,909	-
Compensated Absences	362,766	191,173	186,005	367,934	186,005
Notes Payable	2,360,803	-	2,142,570	218,233	34,485
	<u>9,349,160</u>	<u>2,560,986</u>	<u>3,174,637</u>	<u>8,735,509</u>	<u>1,060,490</u>
Governmental Activities Long-Term Liabilities					
	<u>9,349,160</u>	<u>2,560,986</u>	<u>3,174,637</u>	<u>8,735,509</u>	<u>1,060,490</u>
Business-Type Activities:					
Tax Refunding and Improvement Bonds	11,872,414	2,190,000	2,106,740	11,955,674	924,802
Revenue Bonds	36,665,000	-	925,000	35,740,000	960,000
Add: Deferred Amount on Issuance Premium	425,627	10,394	23,438	412,583	-
Total Bonds	48,963,041	2,200,394	3,055,178	48,108,257	1,884,802
Notes Payable	167,500	210,717	32,193	346,024	73,731
Capital Lease	73,901	-	23,304	50,597	24,609
State Loans Payable	1,533,030	1,009,916	1,214,324	1,328,622	-
OPEB Liability	614,336	97,380	-	711,716	-
Compensated Absences	427,878	187,115	182,097	432,896	164,514
Business-Type Activities Long-Term Liabilities	<u>51,779,686</u>	<u>3,705,522</u>	<u>4,507,096</u>	<u>50,978,112</u>	<u>2,147,656</u>
Total Changes in Long-Term Debt	<u>\$ 61,128,846</u>	<u>6,266,508</u>	<u>7,681,733</u>	<u>59,713,621</u>	<u>3,208,146</u>

As a result of the implementation of GASB 61, the beginning balance column for the Business-Type Activities has been reduced by \$632,662, which was the June 30, 2012 long-term debt for the Elizabethton Municipal Airport, which was previously presented as a blended component unit. With the implementation of GASB 61, the Elizabethton Municipal Airport is now reflected as a discretely presented component unit.

Changes in the Deferred Gain on Bond Refunding for the fiscal year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Deferred Gain on Bond Refunding	\$ 59,120	-	(5,721)	53,399	(5,721)
	<u>\$ 59,120</u>	<u>0</u>	<u>(5,721)</u>	<u>53,399</u>	<u>(5,721)</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activity Debt**

**Bonds Payable**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The General Obligation School Bonds Series 2008 are also secured by a pledge of the one half percent addition to the City's Local Option Sales and Use Tax.

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

<u>General Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2013</u>
General Obligation - School Bonds Series 2008	12/16/2008	\$ 6,750,000	2.25-4.40%	9/1/2023	\$ 4,950,000
General Obligation - Series 2010B	3/11/2010	505,000	3.00-3.75%	6/1/2025	445,000
General Obligation - Refunding Bond Series 2012	7/27/2012	2,145,000	.25-1.75%	3/1/2020	1,780,000
					<u>\$ 7,175,000</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 450,000	184,838	634,838
2015	450,000	169,875	619,875
2016	450,000	154,237	604,237
2017	450,000	137,925	587,925
2018	450,000	120,938	570,938
2019-2023	2,250,000	334,238	2,584,238
2024	450,000	9,900	459,900
	<u>\$ 4,950,000</u>	<u>1,111,951</u>	<u>6,061,951</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Bonds Payable (Continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 30,000	14,650	44,650
2015	30,000	13,750	43,750
2016	35,000	12,850	47,850
2017	35,000	11,800	46,800
2018	35,000	10,750	45,750
2019-2023	190,000	36,613	226,613
2024-2025	90,000	5,006	95,006
	<u>\$ 445,000</u>	<u>105,419</u>	<u>550,419</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 360,000	14,841	374,841
2015	355,000	13,581	368,581
2016	350,000	11,363	361,363
2017	240,000	9,175	249,175
2018	240,000	6,775	246,775
2019-2020	235,000	5,525	240,525
	<u>\$ 1,780,000</u>	<u>61,260</u>	<u>1,841,260</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 840,000	214,329	1,054,329
2015	835,000	197,206	1,032,206
2016	835,000	178,450	1,013,450
2017	725,000	158,900	883,900
2018	725,000	138,463	863,463
2019-2023	2,675,000	376,376	3,051,376
2024-2025	540,000	14,906	554,906
	<u>\$ 7,175,000</u>	<u>1,278,630</u>	<u>8,453,630</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activity Debt (Continued)**

**Notes Payable**

Capital outlay notes are issued for various capital additions and projects city-wide. The full faith and credit of the City is pledged for payment. The City pledges its taxing power as to all taxable property. Capital Outlay Notes currently outstanding from the General Fund are as follows:

<u>General Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2013</u>
Capital Outlay Notes	3/15/2012	\$ 252,000	2.10%	3/15/2019	\$ 218,233
					<u>\$ 218,233</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 34,485	4,647	39,132
2015	35,220	3,912	39,132
2016	35,961	3,171	39,132
2017	36,735	2,397	39,132
2018	37,517	1,615	39,132
2019	38,315	816	39,131
	<u>\$ 218,233</u>	<u>16,558</u>	<u>234,791</u>

**Business-Type Activity Debt**

**Bonds Payable**

The government issues bonds when the government pledges income derived from the acquired or constructed assets to pay debt service. The 2010 Series are payable from unlimited ad valorem taxes to be levied on all taxable property within the City. The full faith and credit of the City is pledged for payment. Although not secured by the net revenues of the water system, proceeds of the Bonds will be used to fund water projects. Debt service on that portion of the bonds will be paid in its entirety from the net revenues of the water system. The 2002 Series has pledged the net revenues of the water system. In the event of a deficiency of net revenues for such purposes, the bonds are payable from direct annual taxes to be levied on all taxable property in the City. The full faith and credit of the City is pledged. The Electric Department 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. The following is a summary of revenue bonds currently outstanding and the funds from which they will be paid:

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**Bonds Payable (Continued)**

<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, 2013</u>
Water and Sewer Revenue and Tax Refunding and Improvement - Series 2002B	6/12/2002	5,647,414	4.90-5.61%	6/1/2031	\$ 5,595,674
Water and Sewer General Obligation Improvement Bonds - Series 2010B	4/30/2010	3,540,000	3.00-4.00%	6/1/2030	2,890,000
Water and Sewer General Obligation Improvement Bonds - Series 2010C	12/13/2010	2,460,000	2.00-4.10%	6/1/2030	2,150,000
Water and Sewer General Obligation Refunding Bonds - Series 2012	7/27/2012	2,190,000	.25%-2.00%	3/1/2023	1,320,000
<u>Elizabethton Electric Fund</u>					
Revenue Refunding Bonds	8/24/2005	3,495,000	3.50-4.15%	9/1/2022	2,525,000
Revenue Bonds	12/20/2007	15,000,000	4.00-5.00%	12/27/2027	12,760,000
Revenue Bonds	4/20/2010	20,585,000	1.75-6.25%	9/1/2035	20,455,000
					<u>\$ 47,695,674</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 364,802	290,198	655,000
2015	458,238	416,762	875,000
2016	430,045	444,955	875,000
2017	405,755	469,245	875,000
2018	382,463	492,537	875,000
2019-2023	1,616,656	2,838,344	4,455,000
2024-2028	1,348,891	3,676,109	5,025,000
2029-2031	588,824	2,161,175	2,749,999
	<u>\$ 5,595,674</u>	<u>10,789,325</u>	<u>16,384,999</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**Bonds Payable (Continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 80,000	103,344	183,344
2015	95,000	100,944	195,944
2016	105,000	98,094	203,094
2017	115,000	94,944	209,944
2018	125,000	91,494	216,494
2019-2023	725,000	391,131	1,116,131
2024-2028	1,100,000	241,262	1,341,262
2029-2030	545,000	33,000	578,000
	<u>\$ 2,890,000</u>	<u>1,154,213</u>	<u>4,044,213</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 150,000	72,709	222,709
2015	145,000	69,709	214,709
2016	140,000	65,358	205,358
2017	135,000	61,159	196,159
2018	135,000	57,109	192,109
2019-2023	635,000	225,337	860,337
2024-2028	585,000	115,850	700,850
2029-2030	225,000	13,940	238,940
	<u>\$ 2,150,000</u>	<u>681,171</u>	<u>2,831,171</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activity Debt (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:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 330,000	15,236	345,236
2015	105,000	14,081	119,081
2016	110,000	13,425	123,425
2017	110,000	12,738	122,738
2018	110,000	11,638	121,638
2019-2023	555,000	31,775	586,775
	\$ 1,320,000	98,893	1,418,893

Electric Department Revenue Refunding Bonds issued 08-24-05 debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 205,000	97,070	302,070
2015	215,000	88,670	303,670
2016	225,000	79,870	304,870
2017	235,000	70,905	305,905
2018	245,000	61,663	306,663
2019-2023	1,400,000	148,008	1,548,008
	\$ 2,525,000	546,186	3,071,186



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**Bonds Payable (Continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 620,000	547,600	1,167,600
2015	645,000	519,075	1,164,075
2016	675,000	486,075	1,161,075
2017	710,000	451,450	1,161,450
2018	740,000	418,900	1,158,900
2019-2023	4,180,000	1,613,338	5,793,338
2024-2028	5,190,000	605,250	5,795,250
	<u>\$ 12,760,000</u>	<u>4,641,688</u>	<u>17,401,688</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 135,000	1,181,966	1,316,966
2015	140,000	1,178,350	1,318,350
2016	145,000	1,173,981	1,318,981
2017	145,000	1,168,906	1,313,906
2018	155,000	1,163,088	1,318,088
2019-2023	820,000	5,709,718	6,529,718
2024-2028	2,645,000	5,267,806	7,912,806
2029-2033	9,565,000	3,552,513	13,117,513
2034-2036	6,705,000	639,844	7,344,844
	<u>\$ 20,455,000</u>	<u>21,036,172</u>	<u>41,491,172</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**Bonds Payable (Continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 1,884,802	2,308,123	4,192,925
2015	1,803,238	2,387,591	4,190,829
2016	1,830,045	2,361,758	4,191,803
2017	1,855,755	2,329,347	4,185,102
2018	1,892,463	2,296,429	4,188,892
2019-2023	9,931,656	10,957,651	20,889,307
2024-2028	10,868,891	9,906,277	20,775,168
2029-2033	10,923,824	5,760,628	16,684,452
2034-2036	6,705,000	639,844	7,344,844
	<u>\$ 47,695,674</u>	<u>38,947,648</u>	<u>86,643,322</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 \$6,722,107 through the term of the bonds.

**Notes Payable**

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

Capital Outlay Notes currently outstanding from the Sanitation Fund are as follows:

Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2013
3/22/2012	\$ 167,500	1.99%	3/22/2017	\$ 135,307
3/25/2013	210,717	1.49%	3/25/2018	210,717
				<u>\$ 346,024</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**Notes Payable (Continued)**

Sanitation Capital Outlay Note issues 3-22-12 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 32,834	2,693	35,527
2015	33,487	2,039	35,526
2016	34,153	1,373	35,526
2017	34,833	693	35,526
	<u>\$ 135,307</u>	<u>6,798</u>	<u>142,105</u>

Sanitation Capital Outlay Note issues 3-25-13 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 40,897	3,175	44,072
2015	41,506	2,565	44,071
2016	42,128	1,944	44,072
2017	42,770	1,302	44,072
2018	43,416	656	44,072
	<u>\$ 210,717</u>	<u>9,642</u>	<u>220,359</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 73,731	5,868	79,599
2015	74,993	4,604	79,597
2016	76,281	3,317	79,598
2017	77,603	1,995	79,598
2018	43,416	656	44,072
	<u>\$ 346,024</u>	<u>16,440</u>	<u>362,464</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

**State Loans Payable**

The City currently has two projects with the State of Tennessee in which the final obligation and amortization schedule has yet to be established as the City is currently drawing down loan and grant funds. These two projects are: DWO-2011-112 with a balance of 759,900 and SRF-2011-272 with a balance of \$568,722. Total State Loans Payable as of June 30, 2013 totals \$1,328,622.

**Water Right – Payable to Water Authority**

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 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 fiscal year 2013, when the Authority completed the plant and the City began to obtain water from the Authority.

**NOTE 9 - FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Non-Spendable:			
Elizabethton Golf Course	\$ 121,589	-	121,589
Inventories	24,349	-	24,349
Prepaid Expense	2,813	-	2,813
Bolling Trust	-	25,000	25,000
Total - Non-Spendable	<hr/> 148,751 <hr/>	<hr/> 25,000 <hr/>	<hr/> 173,751 <hr/>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 9 - FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)**

	General Fund	Nonmajor Governmental Funds	Total
Restricted for:			
Library Donation	50,787	-	50,787
Carter County Animal Shelter	262,845	-	262,845
Police Community Relations	-	1,928	1,928
Department of Justice	-	21,344	21,344
Police Drug Enforcement Fund	-	59,512	59,512
Fundraiser	-	2,253	2,253
Veteran's Walk of Honor Phase II	-	94,042	94,042
Bolling Trust	-	5,381	5,381
Total - Restricted	<u>313,632</u>	<u>184,460</u>	<u>498,092</u>
Committed to:			
City Schools	547,714	-	547,714
OPEB LGIP	1,345,932	-	1,345,932
Animal Shelter	39	-	39
Debt Service	2,025,202	-	2,025,202
Special Capital Projects	-	50,692	50,692
Debt Issue	-	24,570	24,570
Police Technology Fee	-	116,213	116,213
Total - Committed	<u>3,918,887</u>	<u>191,475</u>	<u>4,110,362</u>
Assigned:			
Police	1,103	-	1,103
Christmas Tree	180	-	180
Sidewalk	11,774	-	11,774
Industrial Development	8,180	-	8,180
Bond Funds	108,728	-	108,728
Library	15,000	-	15,000
Elk Avenue Bridge Repair	65,400	-	65,400
Linear Path Phase V	-	193,009	193,009
Joe O'Brien Field	-	3,230	3,230
Total - Assigned	<u>210,365</u>	<u>196,239</u>	<u>406,604</u>
Unassigned:	<u>2,598,583</u>	<u>-</u>	<u>2,598,583</u>
Total Fund Balances	<u>\$ 7,190,218</u>	<u>597,174</u>	<u>7,787,392</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables, payables and transfers at June 30, 2013 were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Water and Sewer	\$ 20,803	Reimbursement for Charges
General	Sanitation	17,748	Reimbursement for Charges
Electric Department	General	77,486	Utilities
Electric Department	Water and Sewer	38,994	Utilities
General	Police Drug Enforcement	1,134	Reimbursement for Charges
Sanitation	General	85	Reimbursement for Charges
Police Drug Enforcement	General	2,243	Reimbursement
General	Electric Department	6,970	Reimbursement for Charges
Total		<u>\$ 165,463</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	\$ 131,000
General Obligation Bond Proceeds	General	330,905
General	Electric Department	752,416
Veteran's Walk of Honor Phase II	Veteran's Walk of Honor	22,593
Veteran's Walk of Honor Phase II	Veteran's War Memorial	6,068
Total		<u>\$ 1,242,982</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 and the transfer to the General Obligation Bond Proceeds fund was related to the animal shelter. The transfers to Veteran's Walk of Honor Phase II was the City's closing of the Veteran's Walk of Honor and Veteran's War Memorial funds and transferring the funds to the Veteran's Walk of Honor Phase II fund.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 11 - RETIREMENT COMMITMENTS**

The City of Elizabethton participates in the Tennessee Consolidated Retirement System. The Elizabethton Electric Department participates in a private retirement plan.

**City of Elizabethton**

**Plan Description**

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

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

**Funding Policy**

The City had previously adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll. As of July 1, 2011, the City has elected to discontinue the non-contributory provision for all future hires. This will require all new hires to contribute 5.00% of earnable compensation. Employees who were employed prior to July 1, 2011 will continue to be eligible for the non-contributory provision.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 14.61% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**City of Elizabethton (Continued)**

**Annual Pension Cost**

For the fiscal year ending June 30, 2013, the City's annual pension cost of \$1,155,662 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry-age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.50% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 13 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$1,155,662	100.00%	\$ 0.00
June 30, 2012	\$1,096,411	100.00%	\$ 0.00
June 30, 2011	\$1,160,983	100.00%	\$ 0.00

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 76.62% funded. The actuarial accrued liability for benefits was \$23.05 million, and the actuarial value of assets was \$17.66 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.39 million. The covered payroll (annual payroll of active employees covered by the plan) \$7.51 million, and the ratio of the UAAL to the covered payroll was 71.77%.

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**City of Elizabethton (Continued)**

**Funding Status and Funding Progress (Continued)**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2011	\$ 17,664	23,052	5,388	76.62%	7,508	71.77%

**Elizabethton Electric Department**

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

The plan covers all employees over 21 years of age with six months of service. The total contribution by both the Employer and Employees for the plan year ended September 30, 2012 and 2011 were \$778,398 and \$770,459. The recommended contribution was \$880,074 and \$838,166 for the plan years October 1, 2012 and 2011, respectively. Covered employees are required to contribute 1.50 % of their monthly earnings to the plan. The Department is required to contribute the remaining amount necessary to fund pension cost accrued including amortization of unfunded prior service cost over a period not to exceed 30 years. Any changes to the plan would need to be approved by the Board for the Department and CSA. The investment assumption is 7.00%, salary assumption is 3.00% for the plan years October 1, 2012 and 2011 respectively, the actuarial method is the frozen entry age method and the amortization period is 21 years.

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, 2012. The total plan liability for the 2012 plan year was \$16,361,523 and the actuarial value of assets \$8,932,619 leaving an unfunded liability of \$7,428,904 and a funded ratio of 54.60%.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Elizabethton Electric Department (Continued)**

As of October 1, 2012, the pension benefit obligation is \$16,361,523 and was \$15,924,926 as of October 1, 2011.

The plan provides for a retirement date, which is the first day of the calendar month, which coincides with, or next follows the employee's 57<sup>th</sup> birthday, with a minimum of 30 years of service, or age 65 with 5 years of service. Early retirement may be taken within ten years of the retirement date. Benefits are determined on credited service, earnings, marital status and choice of options.

The Central Service Association Defined Benefit Plan operates with assistance from Mass Mutual. Mass Mutual holds all of the assets in a wide range of diverse investment funds. Additional information may be obtained from Central Service Association, P.O. Box 3480, 93 South Coley Road, Tupelo, MS 38803-3480.

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

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

**City of Elizabethton and Elizabethton Electric Department**

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

**Plan Types:**

The City will pay up to the level of the single premium paid for full-time City employees until the retiree reaches age 65. The actuarial valuation assumes the City will pay 98% of the single premium, which is the current level paid by the City for full-time employees.

The City offers post-employment health care benefits to certain eligible employees. Full service eligible retirees are those age 60 or older with a minimum of 5 years of creditable city service at retirement, or retiring at any age with at least 30 years of service. Early retirees are those age 55 or older with a minimum 10 years of creditable city service at retirement, or retiring at any age with at least 25 years of service. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The base plan has a \$1,500 deductible and out-of-pocket maximum of \$3,000 with an 80% co-insurance rate. The buy-up plan has a \$750 deductible and out-of-pocket maximum of \$1,500 with an 80% co-insurance rate.

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**City of Elizabethton and Elizabethton Electric Department (Continued)**

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

**Plan Types: (Continued)**

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

The amount of the retirement bonus is equal to \$2,500 for early retirement. This benefit is paid in the form of single sum payment upon retirement. An additional retirement gift of \$25 per year of service is paid at the time of retirement to any employee retiring with a full service, early or disability retirement. Benefits are currently funded on a pay-as-you go basis. For the purposes of reporting, the liability for such benefits are included in the OPEB Liability as reflected on the Statement of Net Position. An actuary study was performed and dated July 1, 2012 for these benefits and the same assumptions as disclosed for the retiree medical and life insurance plan were used.

**Funding Policy:**

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

**Annual OPEB Cost and Net OPEB Obligation:**

The City and Electric Department's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City and Electric Department's costs for the year, the amount actually contributed to the plan, and changes in the OPEB obligation.

	City	Electric Department
Annual OPEB Cost and Net OPEB Obligation		
Annual Required Contribution (ARC)	\$ 535,808	158,509
Interest on Net OPEB Obligation	28,585	8,878
Adjustment to ARC	(86,503)	(13,320)
Annual OPEB Cost (Expense)	477,890	154,067
Contribution Made (assumed end of year)	193,262	124,998
Increase in Net OPEB Obligation	284,628	29,069
Net OPEB Obligation - Beginning of Year	1,033,043	331,885
Net OPEB Obligation - End of Year	\$ 1,317,671	360,954

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**City of Elizabethton and Elizabethton Electric Department (Continued)**

**Annual OPEB Cost and Net OPEB obligation (Continued):**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 are as follows:

	Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
City	6/30/2013	\$ 477,890	40%	\$ 1,317,671
City	6/30/2012	484,538	48%	1,033,043
City	6/30/2011	455,035	49%	776,987
Electric Department	6/30/2013	154,067	81%	360,954
Electric Department	6/30/2012	180,899	67%	331,885
Electric Department	6/30/2011	180,899	62%	271,953

**Funded Status and Funding Progress:**

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$4,153,403 for the City and \$1,593,123 for the Electric Department. The covered payroll was \$6,433,014 for the City and \$2,060,573 for the Electric Department and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 65.00% for the City and 77.00% for the Electric Department. The funding ratio was 0% for both.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

**City of Elizabethton and Elizabethton Electric Department (Continued)**

**Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

The valuation date is July 1, 2012 and year one represents the period of July 1, 2012 to June 30, 2013. A discount rate of 4.00% was used to discount expected liabilities to the valuation dates. Future salaries are expected to increase at an annual rate of 3.00%. Average health care trend costs rates are assumed to increase by 9.00% (year 1), 8.50% (year 2), 8.00% (years 3 and 4), 7.50% (years 5 and 6), 7.00% (years 7 and 8), 6.50% (years 9 and 10), 6.00% (years 11 and 12) and 5.00% thereafter. The ARC was calculated using the level dollar amortization method, amortizing costs over 26 years.

**NOTE 12 - LITIGATION**

**Workers Compensation Claims**

During the fiscal year ended June 30, 2013, the City had some workers compensation claims which are being handled through the Tennessee Municipal League Risk Management Pool.

**Lawsuits and Pending Claims**

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

**Contingencies**

The Tennessee Department of Environment and Conservation (TDEC) is pursuing an action in regard to the closed landfill because of the presence of some waste from Mapes that was discovered uncovered at that site. This has the potential of exposure to the City of approximately \$500,000 and the City is presently negotiating with TDEC to postpone the issuance of any Commissioner's Orders on the site until after the end of the fiscal year (e.g. after June 30, 2006).

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 13 - RISK MANAGEMENT**

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

**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS**

**Elizabethton Municipal Airport**

**Capital Assets**

Capital assets activity for the Airport for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 2,428,170	-	-	2,428,170
Construction in Progress	10,000	44,700	-	54,700
Total capital assets, not being depreciated	<u>\$ 2,438,170</u>	<u>44,700</u>	<u>0</u>	<u>2,482,870</u>
Capital assets, being depreciated:				
Land Improvement	2,103,028	-	-	2,103,028
Hangars and Terminal Building	2,681,267	-	-	2,681,267
Major Moveable Equipment	427,150	4,592	-	431,742
Total capital assets, being depreciated	<u>\$ 5,211,445</u>	<u>4,592</u>	<u>0</u>	<u>5,216,037</u>
Less accumulated depreciation for:				
Land Improvements	(917,732)	(45,175)	-	(962,907)
Hangars and Terminal Building	(740,947)	(85,705)	-	(826,652)
Major Moveable Equipment	<u>(357,013)</u>	<u>(23,046)</u>	<u>-</u>	<u>(380,059)</u>
Total accumulated depreciation	<u>\$ (2,015,692)</u>	<u>(153,926)</u>	<u>0</u>	<u>(2,169,618)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 3,195,753</u>	<u>(149,334)</u>	<u>0</u>	<u>3,046,419</u>
Total Capital assets, Net	<u>\$ 5,633,923</u>	<u>(104,634)</u>	<u>0</u>	<u>5,529,289</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Airport (Continued)**

**Notes Payable**

During the fiscal year ended June 30, 2013, the following debt transactions occurred for the Airport:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Simulator Loan	\$ 19,468	-	4,222	15,246	15,246
Expansion Loan	595,500	-	100,000	495,500	100,000
Compensated Absences	17,694	1,661	-	19,355	-
	<u>\$ 632,662</u>	<u>1,661</u>	<u>104,222</u>	<u>530,101</u>	<u>115,246</u>

The interest rates on the Airport debt are variable for the simulator loan and fixed for the expansion loan. The amortization schedules are not available. The estimated debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 115,246	9,092	124,338
2015	100,000	6,619	106,619
2016	100,000	4,379	104,379
2017	100,000	2,139	102,139
2018	95,500	-	95,500
	<u>\$ 510,746</u>	<u>22,229</u>	<u>532,975</u>

**Retirement Commitments**

During the fiscal year ended June 30, 2013, the Airport management was covered through the Tennessee Consolidated Retirement System. Total employer contributions during the fiscal year were \$18,353. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in the Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA).

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Airport (Continued)**

**Retirement Commitments (Continued)**

State statutes are amended by the Tennessee General Assembly. Since the Elizabethton Municipal Airport is considered part of the City by TCRS, no specific pension benefit obligation can be isolated for the Airport.

**Elizabethton Board of Education**

**Capital Assets**

Capital assets activity for the Board of Education for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	63,764	356,852	(63,764)	356,852
Total Capital Assets, Not Being Depreciated	279,934	356,852	(63,764)	573,022
Capital Assets, Being Depreciated				
Buildings and Improvements	22,592,083	364,348	-	22,956,431
Motor Equipment	1,521,908	112,749	(37,489)	1,597,168
Total Capital Assets, Being Depreciated	24,113,991	477,097	(37,489)	24,553,599
Less Accumulated Depreciation For:				
Buildings and Improvements	(9,115,992)	(493,567)	-	(9,609,559)
Motor Equipment	(757,821)	(88,899)	35,622	(811,098)
Total Accumulated Depreciation	(9,873,813)	(582,466)	35,622	(10,420,657)
Total Capital Assets, Being Depreciated, Net	14,240,178	(105,369)	(1,867)	14,132,942
Total Capital Assets, Net	\$ 14,520,112	251,483	(65,631)	14,705,964



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Long-Term Liabilities**

During the fiscal year ended June 30, 2013, 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	\$ 41,290	6,345	-	47,635	1,882
OPEB Liability	2,141,527	447,870	-	2,589,397	-
Governmental Activities					
Long-Term Liabilities	\$ 2,182,817	454,215	0	2,637,032	1,882

**Retirement Commitments**

**Defined Benefit Plan**

**Plan Description**

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

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

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

**Funding Policy**

Elizabethton City Schools requires employees to contribute 5.00% of earnable compensation.

Elizabethton City Schools is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.79% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the fiscal year ending June 30, 2013, Elizabethton City Schools' annual pension cost of \$181,843 to TCRS was equal to Elizabethton City School's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Elizabethton City Schools' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

<b>Trend Information</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 181,843	100%	\$ -
June 30, 2012	210,392	100%	-
June 30, 2011	228,582	100%	-

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.27% percent funded. The actuarial accrued liability (AAL) for benefits was \$7.41 million, and the actuarial value of assets was \$6.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.57 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.45 million, and the ratio of the UAAL to the covered payroll was 23.37% percent.

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$6,838	\$7,411	\$573	92.27%	\$2,452	23.37%

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

**Plan Description**

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

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

**Funding Policy**

Most teachers are required by State statute to contribute 5.00% of earnable compensation of the plan. The employer contribution rate for Elizabethton City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll. The employer contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$883,768, \$856,125, and \$822,686, respectively, equal to the required contributions for each year.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

**Other Post-Employment Healthcare Plan**

**Plan Description**

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

**Funding Policy**

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

The State does not provide a subsidy for local government participants; however, the State does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

The schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2013 are as follows:

**Monthly Premiums – Retiree:**

PPO	30 plus years: \$282 to \$302,
	20 years or less: \$384 to \$404, and
	20 years to 29 years: \$332 to \$353 (single coverage)

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

Monthly Premiums – Active:

PPO     \$512 to \$557 (single coverage)

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

	07/01/2012 - 06/30/2013
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 809,000
2. Interest on Net OPEB Obligation	85,661
3. Adjustment to ARC	(90,928)
4. Annual OPEB Cost (Expense) (1+2+3)	803,733
5. Contribution made (assumed end of year)*	355,863
6. Increase (Decrease) in Net OPEB Obligation (4 - 5)	447,870
7. Net OPEB Obligation - Beginning of Year	2,141,527
8. Net OPEB Obligation - End of Year (6 + 7)	<u>\$ 2,589,397</u>

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

Fiscal Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2013	Teacher & Local Government	\$ 803,733	18.8%	\$ 2,589,397
6/30/2012	Teacher & Local Government	798,031	17.7%	2,141,527
6/30/2011	Teacher & Local Government	730,679	17.7%	1,614,217

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Board of Education (Continued)**

**Retirement Commitments (Continued)**

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2011, was as follows:

Actuarial Valuation Date	July 1, 2011
Actuarial Accrued Liability (AAL)	\$ 5,923,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,923,000</u>
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	\$ 12,566,578
UAAL as a Percentage of Covered Payroll	47%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress of Post-Retirement Benefits Other than Pensions, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% for fiscal year 2012. The rate decreased to 8.75% in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. The rate includes a 2.50% inflation assumption, which also represents projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

Total on-behalf payments were \$149,896.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course**

**Capital Assets**

Capital assets activity for the Golf Course for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 72,334	-	-	72,334
Motor Equipment	679,667	99,013	-	778,680
Office Equipment	13,442	-	-	13,442
Infrastructure	1,424,926	-	-	1,424,926
Total Capital Assets, Being Depreciated	<u>2,190,369</u>	<u>99,013</u>	<u>0</u>	<u>2,289,382</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(59,896)	(2,644)	-	(62,540)
Motor Equipment	(575,789)	(35,126)	-	(610,915)
Office Equipment	(13,443)	-	-	(13,443)
Infrastructure	(929,095)	(28,138)	-	(957,233)
Total Accumulated Depreciation	<u>(1,578,223)</u>	<u>(65,908)</u>	<u>0</u>	<u>(1,644,131)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 612,146</u>	<u>33,105</u>	<u>0</u>	<u>645,251</u>

**Capital Leases**

The Golf Course leases various mowing and turf equipment from several financing companies. The economic substance of the leases is that the Golf Course is financing the acquisition of the assets through the leases and, accordingly, the leases are recorded in the Golf Course's assets and liabilities. Capital leases reflect the transfer of risks and benefits associated with the asset to the lessee. During the fiscal year 2013, the Golf Course obtained additional capital leases for mowing equipment.

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

Various Mowing and Turf Equipment	\$182,388
Less: Accumulated Depreciation	<u>(37,843)</u>
	<u>\$ 144,545</u>

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



**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course (Continued)**

**Capital Leases (Continued)**

During the year ended June 30, 2013, the following capital lease transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease - Turf Equipment	\$ 2,526	-	1,914	612	612
Capital Lease - John Deere	65,225	46,573	15,740	96,058	24,393
Capital Lease - Toro Groundmaster	-	52,856	1,579	51,277	9,771
	<u>\$ 67,751</u>	<u>99,429</u>	<u>19,233</u>	<u>147,947</u>	<u>34,776</u>

Future payments required under the capital leases are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 34,776	6,194	40,970
2015	35,385	4,970	40,355
2016	32,061	2,874	34,935
2017	26,597	1,308	27,905
2018	19,128	367	19,495
	<u>\$ 147,947</u>	<u>15,713</u>	<u>163,660</u>

**Notes Payable**

During the fiscal year ended June 30, 2013, the following debt transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Outlay Note	\$ 18,735	-	18,735	-	-
Capital Leases	67,751	99,429	19,233	147,947	34,776
Note Payable - Primary Government	121,589	-	-	121,589	30,000
Line of Credit	40,000	-	40,000	-	-
	<u>\$ 248,075</u>	<u>99,429</u>	<u>77,968</u>	<u>269,536</u>	<u>64,776</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**Elizabethton Municipal Golf Course (Continued)**

**Notes Payable (Continued)**

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

During 2008, the Golf Course and the City agreed to another revision. The notes and bonds are now combined into one obligation, and the interest on both the bond and note has been forgiven. Maturity is extended to 2016. During the current fiscal year, the Golf Course did not make the principal payment to the City.

Subsequent to fiscal year end, City Council approved a resolution at their November 2013 council meeting to forgive the \$121,589 note payable agreement with the Golf Course.

**Operating Leases**

The Golf Course leases property to be used as a driving range. In addition to the \$1,125 monthly lease payment, the Golf Course is required to pay all utility bills, business taxes or fees and carry public liability insurance on the property. The Golf Course is also responsible for payment to the lessor 1/3 of all driving range annual income received in excess of \$22,500 as a lump sum annually. The lease agreement was renewed in the fiscal year 2011 and matures March 1, 2014. Total lease expense for the year was \$13,500.

The Golf Course also leases golf carts from Yamaha. Monthly payments of principal and interest are \$2,230 and the final payment on the term of the lease will be during the 2015 fiscal year. Total lease expense, including interest, for the year was \$26,756.

Future payments required under the operating leases are as follows:

Year Ending June 30	Amount
2014	\$ 40,260
2015	26,760
	<u>\$ 67,020</u>

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 15 - CONTINGENT LIABILITIES**

**Deferred Compensation Plan**

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

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

The City, as a member of the joint venture to operate the Carter County/Elizabethton Solid Waste Disposal System, is jointly and severally liable for the closure and post closure costs. The landfill was closed in 2000 and there are no separately issued financial statements. The County has active permits on file with the State Department of Environment and Conservation and has provided the financial assurances for estimated postclosure liabilities as required by the State of Tennessee. The City and County each pay 50% of the monitoring costs. The County has recorded the full liability in their funds and bills the City for one-half of associated expenses in accordance to the written agreement.

**NOTE 16 - COMMITMENTS**

The Electric Department has active construction projects as of June 30, 2013 for substations and transmission lines. At year end the Department's commitments for the projects total approximately \$2,898,326. The Water and Sewer Fund has active construction projects as of June 30, 2013 for infrastructure improvements. At year end, the Water and Sewer Fund's commitments for the projects total approximately \$2,484,783.

**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.

**NOTE 18 - SUBSEQUENT EVENTS**

In September 2013, the City obtained a \$263,000 Capital Outlay Note, Series 2013 for the purpose of providing funding for various improvements. The note has a term of 60 months and an interest rate of 1.48%.

**CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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**NOTE 18 - SUBSEQUENT EVENTS (CONTINUED)**

In September 2013, the City also obtained a \$300,000 Capital Outlay Note, Series 2013 for the purpose of providing funding for various improvements. The note has a term of 120 months and an interest rate of 2.48%.

In September 2013, the City issued a \$5,450,000 General Obligation School Refunding and Improvement Bond, Series 2013. The bond proceeds will be used to advance refund, defease, and restructure a portion of the Series 2008 General Obligation School Bonds maturing on September 1, 2014 through September 1, 2019, inclusive, totaling \$340,000. Proceeds also will be used to prepay the interest due on the portion of the Refunded Bonds totaling \$34,567. The balance of the proceeds from the Bonds will be for school construction projects. The bond has a term of 240 months and an interest rate of 3.75%.

The City of Elizabethton City Council approved a resolution at their November council meeting to forgive the \$121,589 note payable agreement with the Golf Course.

**NOTE 19 - PRIOR PERIOD ADJUSTMENTS**

**Elizabethton Water and Sewer Fund**

A prior period adjustment of \$504,229 was made for interest accrued in prior years for the Series 2002B Water & Sewer Bonds. The Series 2002B Bonds were capital appreciation bonds (CABs) or zero coupon bonds with no interest component since the bonds were sold initially at a deep discount that accretes to par at maturity. To correct this, the beginning net position of \$16,520,727, as originally reported, has been decreased by \$504,229 to \$16,016,498. In addition to this, a second prior period adjustment was made to expense \$178,177 of deferred bond costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this prior period adjustment, beginning net position was further reduced to \$15,838,321.

**Elizabethton Electric Department**

A prior period adjustment was made for a credit received from the Tennessee Valley Authority (TVA) for purchased power overbillings in prior years totaling \$3,485,516. The overbillings were caused by an incorrect multiplier within the TVA power bill calculations for the Department. To correct this, the beginning net position of \$45,997,167, as originally reported, was increased to \$49,482,683. In addition to this, a second prior period adjustment was made to expense \$795,715 of deferred bond costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this prior period adjustment, beginning net position was reduced to \$48,686,968.

**Governmental Activities**

A prior period adjustment was posted to expense \$99,120 of deferred bond costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this prior period adjustment, beginning net position of \$11,589,216, as originally reported, was reduced to \$11,490,096.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**For the Fiscal Year Ended June 30, 2013**

City of Elizabethton

(\$ amounts in thousands)

Actuarial Valuation Date	(AAL)		(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (b)				
July 1, 2011	\$ 17,664	23,052	5,388	76.62%	7,508	71.77%
July 1, 2009	14,995	21,311	6,316	70.36%	6,989	90.37%
July 1, 2007	14,353	16,053	1,700	89.41%	6,232	27.28%

Elizabethton Board of Education

(\$ amounts in thousands)

Actuarial Valuation Date	(AAL)		(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (b)				
July 1, 2011	\$ 6,838	7,411	573	92.27%	2,452	23.37%
July 1, 2009	5,684	5,684	-	100.00%	2,268	0.00%
July 1, 2007	5,388	5,388	-	100.00%	2,033	0.00%

Elizabethton Electric Department

Actuarial Valuation Date	(AAL)		(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (b)				
October 1, 2012	\$ 8,932,619	16,361,523	7,428,904	54.60%	1,797,023	413%
October 1, 2011	9,045,025	15,924,926	6,879,901	56.80%	1,827,665	376%
October 1, 2010	9,203,280	15,948,500	6,745,220	57.71%	2,114,294	319%

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT**  
**BENEFITS OTHER THAN PENSIONS**  
**For the Fiscal Year Ended June 30, 2013**

City of Elizabethton

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2012	\$ -	4,153,403	4,153,403	0.00%	6,433,014	65.00%
July 1, 2010	-	4,236,054	4,236,054	0.00%	6,543,385	65.00%
July 1, 2008	-	4,212,634	4,212,634	0.00%	5,952,293	71.00%

Elizabethton Electric Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2012	\$ -	1,593,123	1,593,123	0.00%	2,060,573	77.00%
July 1, 2010	-	1,892,996	1,892,996	0.00%	2,412,356	78.00%
July 1, 2008	-	2,213,194	2,213,194	0.00%	2,624,138	84.00%

Elizabethton Board of Education

Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Actuarial Accrued Liability - Entry Age (b)	(UAAL) Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
July 1, 2011	\$ -	5,923,000	5,923,000	0.00%	12,566,578	47.13%
July 1, 2010	-	5,606,000	5,606,000	0.00%	11,963,166	46.86%
July 1, 2009	-	5,589,000	5,589,000	0.00%	11,584,000	48.25%

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

	Special Revenue Funds				Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Total Capital Project Funds	E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash	\$ 48,679	1,928	115,350	367,796	-	533,753
Investments	49,472	-	-	-	30,381	79,853
Accounts Receivable	-	-	4,778	-	-	4,778
Due from Other Funds	2,243	-	-	-	-	2,243
Restricted Cash	-	-	-	16,548	-	16,548
<b>TOTAL ASSETS</b>	<b>\$ 100,394</b>	<b>1,928</b>	<b>120,128</b>	<b>384,344</b>	<b>30,381</b>	<b>637,175</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 500	-	3,915	-	-	4,415
Retainages Payable	-	-	-	16,548	-	16,548
Other Liabilities	17,904	-	-	-	-	17,904
Due to Other Funds	1,134	-	-	-	-	1,134
<b>TOTAL LIABILITIES</b>	<b>19,538</b>	<b>0</b>	<b>3,915</b>	<b>16,548</b>	<b>0</b>	<b>40,001</b>
<b>FUND BALANCES</b>						
Non-Spendable:						
Bolling Trust	-	-	-	-	25,000	25,000
Restricted for:						
Police Community Relations	-	1,928	-	-	-	1,928
Department of Justice	21,344	-	-	-	-	21,344
Police Drug Enforcement Fund	59,512	-	-	-	-	59,512
Fundraiser	-	-	-	2,253	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	94,042	-	94,042
Bolling Trust	-	-	-	-	5,381	5,381
Committed to:						
Special Capital Projects	-	-	-	50,692	-	50,692
Debt Issue	-	-	-	24,570	-	24,570
Police Technology Fee	-	-	116,213	-	-	116,213
Assigned:						
Linear Path Phase V	-	-	-	193,009	-	193,009
Joe O'Brien Field	-	-	-	3,230	-	3,230
<b>TOTAL FUND BALANCES</b>	<b>80,856</b>	<b>1,928</b>	<b>116,213</b>	<b>367,796</b>	<b>30,381</b>	<b>597,174</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 100,394</b>	<b>1,928</b>	<b>120,128</b>	<b>384,344</b>	<b>30,381</b>	<b>637,175</b>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**June 30, 2013**

	Capital Project Funds					
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Fund	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	Total Nonmajor Capital Project Funds
ASSETS						
Cash	\$ 193,009	5,483	50,692	24,570	94,042	367,796
Restricted Cash	-	-	-	16,548	-	16,548
TOTAL ASSETS	<u>\$ 193,009</u>	<u>5,483</u>	<u>50,692</u>	<u>41,118</u>	<u>94,042</u>	<u>384,344</u>
LIABILITIES						
Retainages Payable	\$ -	-	-	16,548	-	16,548
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,548</u>	<u>0</u>	<u>16,548</u>
FUND BALANCES						
Restricted For:						
Fundraiser	-	2,253	-	-	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	-	94,042	94,042
Committed to:						
Special Capital Projects	-	-	50,692	-	-	50,692
Debt Issue	-	-	-	24,570	-	24,570
Assigned to:						
Linear Path Phase V	193,009	-	-	-	-	193,009
Joe O'Brien Field	-	3,230	-	-	-	3,230
TOTAL FUND BALANCES	<u>193,009</u>	<u>5,483</u>	<u>50,692</u>	<u>24,570</u>	<u>94,042</u>	<u>367,796</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 193,009</u>	<u>5,483</u>	<u>50,692</u>	<u>41,118</u>	<u>94,042</u>	<u>384,344</u>

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds				Permanent Fund	
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Total Capital Project Funds	E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
REVENUES						
Grants	\$ -	-	4,778	-	-	4,778
Donations	-	25	-	12,800	-	12,825
Fines and Forfeitures	71,905	-	113,256	-	-	185,161
Miscellaneous	14	-	-	-	-	14
Interest Income	66	2	120	189	41	418
<b>TOTAL REVENUES</b>	<b>71,985</b>	<b>27</b>	<b>118,154</b>	<b>12,989</b>	<b>41</b>	<b>203,196</b>
EXPENDITURES						
General Government	1,458	-	-	-	-	1,458
Public Safety	55,661	916	103,157	-	-	159,734
Other Expenditures	25,038	-	-	3,019	-	28,057
Capital Outlay	-	-	98,552	330,905	-	429,457
<b>TOTAL EXPENDITURES</b>	<b>82,157</b>	<b>916</b>	<b>201,709</b>	<b>333,924</b>	<b>0</b>	<b>618,706</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,172)	(889)	(83,555)	(320,935)	41	(415,510)
OTHER FINANCING SOURCES (USES)						
Transfers (Net)	-	-	-	461,905	-	461,905
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>461,905</b>	<b>0</b>	<b>461,905</b>
Net Change in Fund Balance	(10,172)	(889)	(83,555)	140,970	41	46,395
FUND BALANCE, JULY 1, 2012	91,028	2,817	199,768	226,826	30,340	550,779
FUND BALANCE, JUNE 30, 2013	\$ 80,856	1,928	116,213	367,796	30,381	597,174

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

	Capital Project Funds							
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Funds	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Fund	Veteran's Walk of Honor Phase II Fund	Veteran's War Memorial Fund	Total Nonmajor Capital Projects Funds
REVENUES								
Donations	\$ -	-	-	-	50	12,750	-	12,800
Interest Income	70	-	37	18	16	44	4	189
TOTAL REVENUES	70	0	37	18	66	12,794	4	12,989
EXPENDITURES								
Other Expenditures	208	-	-	40	-	2,771	-	3,019
Capital Outlay	-	-	-	330,905	-	-	-	330,905
TOTAL EXPENDITURES	208	0	0	330,945	0	2,771	0	333,924
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(138)	-	37	(330,927)	66	10,023	4	(320,935)
OTHER FINANCING SOURCES (USES)								
Transfers (Net)	131,000	-	-	330,905	(22,593)	28,661	(6,068)	461,905
TOTAL OTHER FINANCING SOURCES (USES)	131,000	0	0	330,905	(22,593)	28,661	(6,068)	461,905
Net Change in Fund Balance	130,862	-	37	(22)	(22,527)	38,684	(6,064)	140,970
FUND BALANCE, JULY 1, 2012	62,147	5,483	50,655	24,592	22,527	55,358	6,064	226,826
FUND BALANCE, JUNE 30, 2013	\$ 193,009	5,483	50,692	24,570	0	94,042	0	367,796

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**POLICE DRUG ENFORCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Task Force	\$ 8,046	48,046	45,007	(3,039)
Interest Income	-	-	66	66
Drug Fines - Courts	17,000	17,000	17,167	167
Fines and Forfeitures	600	23,600	9,731	(13,869)
Insurance Proceeds	-	-	14	14
TOTAL REVENUES	25,646	88,646	71,985	(16,661)
EXPENDITURES				
General Government	420	420	1,458	(1,038)
Salaries and Benefits	9,244	9,244	-	9,244
Insurance	-	-	900	(900)
Vehicle Maintenance and Fuel	7,482	10,482	14,098	(3,616)
Police Grants	8,500	41,500	40,663	837
Other Operating Expenses	-	27,000	25,038	1,962
TOTAL EXPENDITURES	25,646	88,646	82,157	6,489
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(10,172)	(10,172)
FUND BALANCE, JULY 1, 2012	91,028	91,028	91,028	-
FUND BALANCE, JUNE 30, 2013	\$ 91,028	91,028	80,856	(10,172)

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**POLICE COMMUNITY RELATIONS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Donations	\$ 1,000	1,000	25	(975)
Interest Income	-	-	2	2
TOTAL REVENUES	1,000	1,000	27	(973)
EXPENDITURES				
Public Safety	1,000	1,000	916	84
TOTAL EXPENDITURES	1,000	1,000	916	84
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(889)	(889)
FUND BALANCE, JULY 1, 2012	2,817	2,817	2,817	-
FUND BALANCE, JUNE 30, 2013	\$ 2,817	2,817	1,928	(889)

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**POLICE EQUIPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Court Fines	\$ 5,198	5,198	5,490	292
Grants	-	11,000	4,778	(6,222)
Fines and Forfeitures	87,546	106,546	107,766	1,220
Interest Income	296	296	120	(176)
TOTAL REVENUES	93,040	123,040	118,154	(4,886)
EXPENDITURES				
Public Safety	27,880	132,040	103,157	28,883
Capital Outlay	138,160	74,000	98,552	(24,552)
TOTAL EXPENDITURES	166,040	206,040	201,709	4,331
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,000)	(83,000)	(83,555)	(555)
FUND BALANCE, JULY 1, 2012	199,768	199,768	199,768	-
FUND BALANCE, JUNE 30, 2013	\$ 126,768	116,768	116,213	(555)

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**PARK AND RECREATION CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Grant Income	\$ 362,035	362,035	-	(362,035)
Interest Income	-	-	70	70
TOTAL REVENUES	362,035	362,035	70	(361,965)
EXPENDITURES				
Operating Expenses	532,671	532,671	208	532,463
TOTAL EXPENDITURES	532,671	532,671	208	532,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(170,636)	(170,636)	(138)	170,498
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	131,000	131,000	131,000	-
TOTAL OTHER FINANCING SOURCES (USES)	131,000	131,000	131,000	0
Net Change in Fund Balance	(39,636)	(39,636)	130,862	170,498
FUND BALANCE, JULY 1, 2012	62,147	62,147	62,147	-
FUND BALANCE, JUNE 30, 2013	\$ 22,511	22,511	193,009	170,498

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**JOE O'BRIEN FIELD FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Income	\$ 50	50	-	(50)
TOTAL REVENUES	50	50	0	(50)
EXPENDITURES				
Other Expenditures	50	50	-	50
TOTAL EXPENDITURES	50	50	0	50
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE, JULY 1, 2012	5,483	5,483	5,483	-
FUND BALANCE, JUNE 30, 2013	\$ 5,483	5,483	5,483	0

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE  
SPECIAL CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Income	\$ -	-	37	37
TOTAL REVENUES	0	0	37	37
EXPENDITURES				
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	37	37
FUND BALANCE, JULY 1, 2012	50,655	50,655	50,655	-
FUND BALANCE, JUNE 30, 2013	\$ 50,655	50,655	50,692	37

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE  
GENERAL OBLIGATION BOND PROCEEDS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Income	\$ -	-	18	18
TOTAL REVENUES	0	0	18	18
EXPENDITURES				
Operating Supplies and Materials	86,581	86,581	40	86,541
Capital Outlay	-	330,905	330,905	-
TOTAL EXPENDITURES	86,581	417,486	330,945	86,541
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(86,581)	(417,486)	(330,927)	86,559
OTHER FINANCING SOURCES (USES)				
Transfers (Net)	-	330,905	330,905	-
TOTAL OTHER FINANCING SOURCES (USES)	0	330,905	330,905	0
Net Change in Fund Balance	(86,581)	(86,581)	(22)	86,559
FUND BALANCE, JULY 1, 2012	24,592	24,592	24,592	-
FUND BALANCE, JUNE 30, 2013	\$ (61,989)	(61,989)	24,570	86,559

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WALK OF HONOR FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Donations	\$ -	-	50	50
Interest Income	50	50	16	(34)
TOTAL REVENUES	50	50	66	16
EXPENDITURES				
Other Operating Expenses	50	50	-	50
TOTAL EXPENDITURES	50	50	0	50
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	66	66
OTHER FINANCING SOURCES (USES)				
Transfers (Net)	-	-	(22,593)	(22,593)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(22,593)	(22,593)
Net Change in Fund Balance	-	-	(22,527)	(22,527)
FUND BALANCE, JULY 1, 2012	22,527	22,527	22,527	-
FUND BALANCE, JUNE 30, 2013	\$ 22,527	22,527	0	(22,527)

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WALK OF HONOR PHASE II FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Donations	\$ -	-	12,750	12,750
Interest Income	-	-	44	44
TOTAL REVENUES	0	0	12,794	12,794
EXPENDITURES				
Supplies and Materials	44,838	47,838	-	47,838
Other Operating Expenses	10,000	7,000	2,771	4,229
TOTAL EXPENDITURES	54,838	54,838	2,771	52,067
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(54,838)	(54,838)	10,023	64,861
OTHER FINANCING SOURCES (USES)				
Transfers (Net)	-	-	28,661	28,661
TOTAL OTHER FINANCING SOURCES (USES)	0	0	28,661	28,661
Net Change in Fund Balance	(54,838)	(54,838)	38,684	93,522
FUND BALANCE, JULY 1, 2012	55,358	55,358	55,358	-
FUND BALANCE, JUNE 30, 2013	\$ 520	520	94,042	93,522

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE  
VETERAN'S WAR MEMORIAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Income	\$ 25	25	4	(21)
TOTAL REVENUES	25	25	4	(21)
EXPENDITURES				
General Government	25	25	-	25
TOTAL EXPENDITURES	25	25	0	25
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	4	4
OTHER FINANCING SOURCES (USES)				
Transfers (Net)	-	-	(6,068)	(6,068)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(6,068)	(6,068)
Net Change in Fund Balance	-	-	(6,064)	(6,064)
FUND BALANCE, JULY 1, 2012	6,064	6,064	6,064	0
FUND BALANCE, JUNE 30, 2013	\$ 6,064	6,064	0	(6,064)

See Independent Auditors' Report.

**SUPPLEMENTAL  
SECTION**

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

CFDA Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expenditures	Balance June 30, 2013
<b>PRIMARY GOVERNMENT</b>						
16.000	Appalachian High Intensity Drug Trafficking Area	U.S. Department of Justice	(13,230)	32,000	18,770	-
Pass-Through State of TN, Department of State, TN State Library and Archives						
45.310	TN State Library and Archives / LSTA Technology Grant	Institute of Museum and Library Services	-	1,315	1,315	-
Pass-Through State of TN Emergency Management Agency and Carter County, Tennessee						
97.067	Homeland Security Grant Program	U.S. Department of Homeland Security	-	-	12,074	(12,074) *
Total General Fund			(13,230)	33,315	32,159	(12,074)
<b>SPECIAL REVENUE FUND</b>						
16.607	Bullet Proof Vest Grant	U.S. Department of Justice	-	-	4,778	(4,778) *
Total Special Revenue Fund			0	0	4,778	(4,778)
<b>WATER AND SEWER FUND</b>						
Pass-Through State of Tennessee State Revolving Loan Fund						
66.468	Capitalization Grants for Clean Water SRF Funds FS 984272	Environmental Protection Agency	(10,880)	131,379	123,261	(2,762) *
Pass-Through State of TN Department of Economic and Community Development						
14.228	Community Development Block Grant GG-1239357	U.S. Department of Housing and Urban Development	(35,821)	484,249	448,428	-
Total Water and Sewer Fund			(46,701)	615,628	571,689	(2,762)
Total Primary Government			\$ (59,931)	648,943	608,626	(19,614)

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Elizabethton, Tennessee and is presented on the accrual basis of accounting.

**NOTE B: FEDERAL ASSISTANCE**

In addition to the federal awards expended as noted above, the City received loan proceeds in the amount of \$541,794 from CFDA 66.458 for SRF 11-272. Further, the City received \$295,525 of federal loan proceeds and \$314,778 state loan proceeds for DWO-2011-112.

See Independent Auditors' Report.

\* Receivable

\*\* Unused Revenue

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2013**

State Grant Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2012	Cash Receipts	Expenditures	Balance June 30, 2013
PRIMARY GOVERNMENT						
GENERAL FUND						
CMA 1353 & 1412						
Project 10951-4264-04	Highway Maintenance	TN Department of Transportation	(5,869)	65,853	59,984	-
Total General Fund			(5,869)	65,853	59,984	0
Total Primary Government			<u>\$ (5,869)</u>	<u>65,853</u>	<u>59,984</u>	<u>0</u>

\* Receivable

\*\* Unused Revenue

**NOTE A: OTHER**

The City received loan proceeds in the amount of \$314,778 for DWO-2011-112.

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF INTERFUND TRANSFERS**  
**June 30, 2013**

From Fund	To Fund	Purpose	Amount
<u>Operating Transfers Among Funds</u>			
General	Park and Recreation Capital Projects	To provide for operations	\$ 131,000
General	General Obligation Bond Proceeds Fund	To provide for operations	330,905
Elizabethton Electric Department	General	In-Lieu of Taxes	752,416
Veteran's Walk of Honor	Veteran's Walk of Honor Phase II	To close fund.	22,593
Veteran's War Memorial	Veteran's Walk of Honor Phase II	To close fund.	6,068
Total Transfers			<u>\$ 1,242,982</u>

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN GENERAL BONDED DEBT AND NOTES PAYABLE -**  
**PRIMARY GOVERNMENT**  
**June 30, 2013**

	Balance July 1, 2012	General Obligation Debt Additions	General Obligation Debt Retired	Balance June 30, 2013
<u>General Bonded Debt</u>				
General Fund:				
General Obligation - Series 2010B	\$ 475,000	-	30,000	445,000
General Obligation - School Bonds Series 2008	5,400,000	-	450,000	4,950,000
General Obligation - Refunding Bond Series 2012	-	2,145,000	365,000	1,780,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total General Bonded Debt	<u>\$ 5,875,000</u>	<u>2,145,000</u>	<u>845,000</u>	<u>7,175,000</u>
 <u>Notes Payable</u>				
General Fund:				
Capital Outlay Note - 2009	\$ 960,000	-	960,000	-
Capital Outlay Note - 2004	416,664	-	416,664	-
Capital Outlay Note - 2006	732,139	-	732,139	-
Capital Outlay Note - 2012	252,000	-	33,767	218,233
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Notes Payable	<u>\$ 2,360,803</u>	<u>0</u>	<u>2,142,570</u>	<u>218,233</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS**  
**ALL FUNDS - PRIMARY GOVERNMENT**  
**June 30, 2013**

<u>Fiscal Year Ending</u>	<u>Bond Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2014	\$ 2,724,802	2,522,451	5,247,253
6/30/2015	2,638,238	2,584,798	5,223,036
6/30/2016	2,665,045	2,540,206	5,205,251
6/30/2017	2,580,755	2,488,247	5,069,002
6/30/2018	2,617,463	2,434,892	5,052,355
6/30/2019	2,533,969	2,381,139	4,915,108
6/30/2020	2,542,050	2,323,488	4,865,538
6/30/2021	2,481,680	2,261,151	4,742,831
6/30/2022	2,522,840	2,193,759	4,716,599
6/30/2023	2,526,116	2,174,593	4,700,709
6/30/2024	2,547,525	2,132,575	4,680,100
6/30/2025	2,154,526	2,058,094	4,212,620
6/30/2026	2,168,687	1,986,666	4,155,353
6/30/2027	2,233,682	1,911,889	4,145,571
6/30/2028	2,304,471	1,831,860	4,136,331
6/30/2029	2,371,004	1,738,296	4,109,300
6/30/2030	2,448,844	1,631,558	4,080,402
6/30/2031	2,058,977	1,307,698	3,366,675
6/30/2032	1,985,000	602,212	2,587,212
6/30/2033	2,060,000	480,862	2,540,862
6/30/2034	2,145,000	352,031	2,497,031
6/30/2035	2,235,000	215,157	2,450,157
6/30/2036	2,325,000	72,662	2,397,662
	<u>\$ 54,870,674</u>	<u>40,226,284</u>	<u>95,096,958</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS**  
**ALL FUNDS - PRIMARY GOVERNMENT**  
**June 30, 2013**

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<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2014	\$ 108,216	10,515	118,731
6/30/2015	110,213	8,516	118,729
6/30/2016	112,242	6,488	118,730
6/30/2017	114,338	4,392	118,730
6/30/2018	80,933	2,271	83,204
6/30/2019	<u>38,315</u>	<u>816</u>	<u>39,131</u>
	<u>\$ 564,257</u>	<u>32,998</u>	<u>597,255</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 8,155,681	10,681,542	11,444,573	10,590,936	11,194,421	4,609,854	4,456,326	4,890,080	4,762,715	5,349,627
Unrestricted	9,215,921	7,031,709	6,789,683	7,194,201	7,018,313	13,995,100	9,572,482	6,863,855	6,826,501	6,786,541
Total Governmental Activities Net Position	<u>\$ 17,371,602</u>	<u>17,713,251</u>	<u>18,234,256</u>	<u>17,785,137</u>	<u>18,212,734</u>	<u>18,604,954</u>	<u>14,028,808</u>	<u>11,753,935</u>	<u>11,589,216</u>	<u>12,136,168</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 41,681,195	42,776,756	44,271,111	45,625,558	38,582,426	49,348,344	36,573,549	45,788,517	51,968,558	53,717,874
Restricted	27,728	12,072	927	-	-	-	-	-	-	-
Unrestricted	7,007,747	8,099,683	9,248,016	10,893,732	20,055,574	10,776,548	23,982,437	17,750,477	16,826,224	17,421,952
Total Business-Type Activities Net Position	<u>\$ 48,716,670</u>	<u>50,888,511</u>	<u>53,520,054</u>	<u>56,519,290</u>	<u>58,638,000</u>	<u>60,124,892</u>	<u>60,555,986</u>	<u>63,538,994</u>	<u>68,794,782</u>	<u>71,139,826</u>
Primary Government										
Net Investment in Capital Assets	\$ 49,836,876	53,458,298	55,715,684	56,216,494	49,776,847	53,958,198	41,029,875	50,678,597	56,731,273	59,067,501
Restricted	27,728	12,072	927	-	-	-	-	-	-	-
Unrestricted	16,223,668	15,131,392	16,037,699	18,087,933	27,073,887	24,771,648	33,554,919	24,614,332	23,652,725	24,208,493
Total Primary Government Net Position	<u>\$ 66,088,272</u>	<u>68,601,762</u>	<u>71,754,310</u>	<u>74,304,427</u>	<u>76,850,734</u>	<u>78,729,846</u>	<u>74,584,794</u>	<u>75,292,929</u>	<u>80,383,998</u>	<u>83,275,994</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>EXPENSES</b>										
Governmental Activities										
General Government	\$ 1,134,721	1,838,201	1,964,833	2,092,175	2,312,896	2,313,294	2,320,021	2,315,622	1,073,396	974,186
Public Safety	3,708,331	3,819,315	4,220,050	4,498,229	4,691,754	4,761,540	4,921,251	5,121,019	5,160,505	5,482,963
Public Works	1,682,033	1,519,457	1,655,130	1,710,488	1,709,253	1,975,372	1,892,643	2,096,641	1,804,323	1,958,961
Health and Welfare	149,075	128,225	128,009	133,507	143,386	147,151	147,272	164,820	154,745	187,911
Building Code Enforcement	232,388	252,559	245,923	236,687	267,685	279,931	297,039	300,851	296,729	312,324
Community Development	95,519	128,953	97,378	128,559	150,503	135,716	190,682	189,330	157,973	135,732
Culture and Recreation	1,087,214	1,177,105	1,255,737	1,335,822	1,279,218	1,317,757	1,237,217	1,231,555	1,359,822	1,504,687
Education	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,586,950	7,006,578	4,491,562	2,378,756	2,632,885
Airport	-	-	-	-	-	-	-	-	-	145,000
Other	749,080	782,368	597,845	1,110,518	511,202	575,514	396,513	319,608	753,496	135,227
Interest on Long-Term Debt	168,413	126,176	100,446	124,408	120,050	228,870	336,470	303,926	290,917	271,676
Total Governmental Activities	11,338,774	12,104,359	12,597,351	13,702,393	13,517,947	14,322,095	18,745,686	16,534,934	13,430,662	13,741,552
Business-Type Activities										
Water and Sewer Fund	5,924,594	6,101,136	6,258,684	6,351,520	6,421,106	6,891,218	6,775,618	7,287,257	7,266,962	8,058,277
Electric Department	35,949,729	35,655,992	38,562,527	41,233,588	44,584,278	51,200,732	48,649,864	55,127,228	48,790,590	50,851,625
Sanitation Fund	462,861	576,956	686,323	737,428	1,101,139	1,110,919	963,492	1,050,289	2,087,820	958,488
Total Business-Type Activities	42,337,184	42,334,084	45,507,534	48,322,536	52,106,523	59,202,869	56,388,974	63,464,774	58,145,372	59,868,390
Total Expenses	\$ 53,675,958	54,438,443	58,104,885	62,024,929	65,624,470	73,524,964	75,134,660	79,999,708	71,576,034	73,609,942
<b>PROGRAM REVENUES</b>										
Governmental Activities										
Charges for Services	\$ 1,225,622	1,261,861	1,645,615	1,572,058	1,980,490	2,079,922	1,977,331	2,051,561	1,238,789	1,365,426
Operating Grants and Contributions	233,578	77,139	137,993	180,494	634,089	315,366	60,871	47,830	25,707	43,669
Capital Grants and Contributions	350,497	255,533	334,270	464,532	60,697	93,220	66,147	34,858	289,944	4,778
Total Governmental Activities	1,809,697	1,594,533	2,117,878	2,217,084	2,675,276	2,488,508	2,104,349	2,134,249	1,554,440	1,413,873
Business-Type Activities										
Charges for Services	43,380,657	44,050,045	48,187,308	50,749,078	53,113,524	59,673,864	56,637,930	65,321,181	62,703,650	65,500,427
Operating Grants and Contributions	-	427,175	337,513	257,984	-	-	-	-	-	-
Capital Grants and Contributions	-	519,040	-	56,040	652,044	871,820	613,273	1,019,347	191,821	590,609
Total Business-Type Activities	43,380,657	44,996,260	48,524,821	51,063,102	53,765,568	60,545,684	57,251,203	66,340,528	62,895,471	66,091,036
Total Program Revenues	\$ 45,190,354	46,590,793	50,642,699	53,280,186	56,440,844	63,034,192	59,355,552	68,474,777	64,449,911	67,504,909

(Continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>NET (EXPENSE) REVENUE</b>										
Governmental Activities	\$ (9,529,077)	(10,509,826)	(10,479,473)	(11,485,309)	(10,842,671)	(11,833,587)	(16,641,337)	(14,400,685)	(11,876,222)	(12,327,679)
Business-Type Activities	1,043,473	2,662,176	3,017,287	2,740,566	1,659,045	1,342,815	862,229	2,875,754	4,750,099	6,222,646
<b>Total Net (Expense) Revenue</b>	<b>\$ (8,485,604)</b>	<b>(7,847,650)</b>	<b>(7,462,186)</b>	<b>(8,744,743)</b>	<b>(9,183,626)</b>	<b>(10,490,772)</b>	<b>(15,779,108)</b>	<b>(11,524,931)</b>	<b>(7,126,123)</b>	<b>(6,105,033)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental Activities										
Taxes										
Property Taxes	\$ 3,525,231	3,592,858	3,705,114	3,766,242	4,061,546	3,921,523	3,982,150	4,008,863	4,588,415	4,712,052
Sales Taxes	2,811,594	3,215,945	3,631,223	3,805,354	4,127,085	4,507,121	4,110,095	4,137,126	4,183,559	4,259,793
In-Lieu of Taxes	16,203	47,644	29,861	26,124	36,733	29,903	27,805	29,333	27,741	16,534
Business Taxes	200,805	217,419	251,306	240,944	250,850	259,183	150,884	298,423	385,646	282,820
Other Taxes	-	-	-	-	-	462,971	477,250	480,090	502,388	494,547
Other Local Governments	100,885	160,733	166,627	108,421	93,987	67,687	65,246	322,381	152,092	49,049
State Aid	1,672,268	1,720,914	1,773,976	2,195,451	1,649,418	1,943,782	1,947,533	1,943,661	1,889,311	1,943,199
Federal Aid	335,135	343,080	492,029	418,930	414,820	-	-	-	-	-
Unrestricted Investment Earnings	104,744	111,512	241,330	258,024	232,933	149,530	74,730	25,810	8,426	7,625
Miscellaneous	(3,570)	42,056	56,370	24,893	35,582	519,837	683,002	408,839	408,657	455,716
Special Item - Donations of Assets	-	-	-	-	-	14,482	-	-	-	-
Loss on Sale of Asset	-	-	-	(95,016)	-	-	-	-	-	-
Grants and Contributions not Restricted	1,611,081	747,906	-	-	-	-	-	-	-	-
Transfers	-	651,408	652,642	286,823	367,314	349,788	546,496	471,286	(434,732)	752,416
<b>Total Governmental Activities</b>	<b>10,374,376</b>	<b>10,851,475</b>	<b>11,000,478</b>	<b>11,036,190</b>	<b>11,270,268</b>	<b>12,225,807</b>	<b>12,065,191</b>	<b>12,125,812</b>	<b>11,711,503</b>	<b>12,973,751</b>
Business-Type Activities										
Unrestricted Investment Earnings	77,409	161,073	285,842	540,614	601,753	493,865	115,361	50,415	70,957	43,168
Miscellaneous	52,773	-	1,159	4,879	-	-	-	-	-	-
Transfers	-	(651,408)	(652,642)	(286,823)	(367,314)	(349,788)	(546,496)	(471,286)	434,732	(752,416)
<b>Total Business-Type Activities</b>	<b>130,182</b>	<b>(490,335)</b>	<b>(365,641)</b>	<b>258,670</b>	<b>234,439</b>	<b>144,077</b>	<b>(431,135)</b>	<b>(420,871)</b>	<b>505,689</b>	<b>(709,248)</b>
<b>Total Primary Government</b>	<b>\$ 10,504,558</b>	<b>10,361,140</b>	<b>10,634,837</b>	<b>11,294,860</b>	<b>11,504,707</b>	<b>12,369,884</b>	<b>11,634,056</b>	<b>11,704,941</b>	<b>12,217,192</b>	<b>12,264,503</b>
<b>CHANGE IN NET POSITION</b>										
Governmental Activities	\$ 845,299	341,649	521,005	(449,119)	427,597	392,220	(4,576,146)	(2,274,873)	(164,719)	646,072
Business-Type Activities	1,173,655	2,171,841	2,651,646	2,999,236	1,893,484	1,486,892	431,094	2,454,883	5,255,788	5,513,398
<b>Total Change in Net Position</b>	<b>\$ 2,018,954</b>	<b>2,513,490</b>	<b>3,172,651</b>	<b>2,550,117</b>	<b>2,321,081</b>	<b>1,879,112</b>	<b>(4,145,052)</b>	<b>180,010</b>	<b>5,091,069</b>	<b>6,159,470</b>

See Independent Auditors' Report.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Non-Spendable	\$ -	-	-	-	-	-	-	187,398	161,312	148,751
Restricted	-	-	-	-	-	-	-	330,378	395,853	313,632
Committed	-	-	-	-	-	-	-	1,629,890	4,265,560	3,918,887
Assigned	-	-	-	-	-	-	-	381,351	211,446	210,365
Unassigned	-	-	-	-	-	-	-	4,132,802	2,107,524	2,598,583
Designated	4,168,892	4,000,273	4,178,565	4,085,787	3,651,625	11,171,656	7,289,320	-	-	-
Unreserved	3,351,326	2,363,630	1,951,297	1,646,915	2,201,376	1,741,002	1,536,347	-	-	-
Total General Fund	<u>\$ 7,520,218</u>	<u>6,363,903</u>	<u>6,129,862</u>	<u>5,732,702</u>	<u>5,853,001</u>	<u>12,912,658</u>	<u>8,825,667</u>	<u>6,661,819</u>	<u>7,141,695</u>	<u>7,190,218</u>
All Other Governmental Funds										
Non-Spendable	\$ -	-	-	-	-	-	-	25,000	25,000	25,000
Restricted	-	-	-	-	-	-	-	327,278	185,427	184,460
Committed	-	-	-	-	-	-	-	397,264	337,122	191,475
Assigned	-	-	-	-	-	-	-	235	3,230	196,239
Unreserved, Reported in:										
Special Revenue Funds	101,729	15,509	201,206	128,398	199,524	374,442	400,433	-	-	-
Capital Projects Funds	1,197,712	309,109	494,150	974,305	916,396	915,604	767,017	-	-	-
Permanent Fund	25,409	25,939	27,011	28,465	29,652	30,133	30,240	-	-	-
Total All Other Governmental Funds	<u>\$ 1,324,850</u>	<u>350,557</u>	<u>722,367</u>	<u>1,131,168</u>	<u>1,145,572</u>	<u>1,320,179</u>	<u>1,197,690</u>	<u>749,777</u>	<u>550,779</u>	<u>597,174</u>

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

See Independent Auditors' Report.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES</b>										
Taxes	\$ 6,528,005	7,066,193	7,604,318	7,868,022	8,429,613	9,130,476	8,709,195	8,868,012	9,842,326	9,778,235
Licenses and Permits	98,223	75,465	93,181	97,991	95,095	130,030	96,781	84,244	96,193	204,503
Intergovernmental	1,908,501	1,859,661	1,925,234	2,045,305	2,192,700	2,052,531	2,039,177	2,281,042	2,344,577	2,027,870
Charges for Services	1,800,276	1,874,032	2,005,518	2,125,682	2,433,889	2,405,205	2,460,199	2,438,111	1,583,026	1,563,774
Donations	180,895	23,210	176,801	140,796	141,807	14,482	34,473	32,830	12,477	12,825
Grant Income	253,514	253,920	348,354	702,489	134,028	367,524	66,147	34,858	-	-
Fines and Forfeitures	233,385	229,768	314,885	273,425	260,435	444,687	320,351	329,206	359,570	397,149
Miscellaneous	402,720	503,053	642,254	552,244	487,078	519,837	694,911	441,088	445,973	455,716
Interest Earned	104,744	111,514	241,377	301,217	233,457	149,530	74,730	25,810	8,426	7,625
<b>TOTAL REVENUES</b>	<b>11,510,263</b>	<b>11,996,816</b>	<b>13,351,922</b>	<b>14,107,171</b>	<b>14,408,102</b>	<b>15,214,302</b>	<b>14,495,964</b>	<b>14,535,201</b>	<b>14,692,568</b>	<b>14,447,697</b>
<b>EXPENDITURES</b>										
General Government	2,362,721	2,444,515	2,559,403	2,859,524	3,086,714	3,030,589	3,060,510	2,993,468	1,757,135	1,650,057
Public Safety	3,460,461	3,667,343	4,045,478	4,294,937	4,493,299	4,456,234	4,627,091	4,835,792	4,856,945	5,117,045
Public Works	1,288,844	1,148,397	1,290,099	1,363,400	1,355,854	1,570,336	1,492,740	1,730,028	1,506,961	1,675,184
Health and Welfare	144,000	127,125	125,157	132,641	142,785	145,815	146,388	163,984	153,858	187,027
Building Code Enforcement	221,218	252,127	245,905	236,743	268,427	278,497	297,039	300,851	296,729	312,324
Community Development	91,331	128,737	97,354	128,608	151,174	134,677	190,682	189,330	157,973	135,732
Education	2,332,000	2,332,000	2,332,000	2,332,000	2,332,000	2,586,950	7,006,578	4,491,562	2,378,756	2,632,885
Airport	-	-	-	-	-	-	-	-	-	145,000
Culture and Recreation	975,717	1,092,553	1,175,390	1,238,513	1,174,843	1,178,826	1,173,744	1,211,861	1,227,366	1,346,643
Special Appropriations	224,625	280,657	225,432	197,632	285,114	202,146	202,146	198,330	187,080	107,170
Capital Outlay	362,768	2,088,323	690,096	1,128,103	281,060	110,588	1,540,221	265,081	880,923	649,898
Debt Service:										-
Principal	2,090,000	589,166	599,167	679,542	717,844	736,583	785,489	769,570	803,834	2,987,570
Interest	137,264	123,041	105,453	127,822	117,289	141,732	329,227	346,423	320,354	244,168
Paying Agent Fees	33,537	3,136	1,487	-	1,383	133,485	3,539	690	3,140	39,930
Lease Payments	886	-	-	-	-	-	51,215	-	-	-
Other Operating Expenses	524,455	501,712	411,724	912,888	232,927	373,368	194,367	121,278	566,416	28,057
<b>TOTAL EXPENDITURES</b>	<b>14,249,827</b>	<b>14,778,832</b>	<b>13,904,145</b>	<b>15,632,353</b>	<b>14,640,713</b>	<b>15,079,826</b>	<b>21,100,976</b>	<b>17,618,248</b>	<b>15,097,470</b>	<b>17,258,690</b>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(2,739,564)	(2,782,016)	(552,223)	(1,525,182)	(232,611)	134,476	(6,605,012)	(3,083,047)	(404,902)	(2,810,993)
<b>OTHER FINANCING SOURCES (USES)</b>										
Capital Outlay Note Proceeds	1,250,000	-	-	1,250,000	-	-	1,200,000	-	252,000	-
Bond Proceeds	1,675,000	-	-	-	-	6,750,000	505,000	-	-	2,153,495
Capital Lease	-	-	-	-	-	-	144,036	-	-	-
Sale of Fixed Assets	265,000	-	-	-	-	-	-	-	-	-
Transfers In	1,013,397	1,012,413	1,334,342	1,364,173	929,314	943,288	1,417,455	971,269	995,246	1,214,321
Transfers Out	(409,232)	(361,005)	(644,350)	(1,077,350)	(562,000)	(593,500)	(870,959)	(499,983)	(561,466)	(461,905)
<b>TOTAL OTHER FINANCING SOURCES (Uses)</b>	<b>3,794,165</b>	<b>651,408</b>	<b>689,992</b>	<b>1,536,823</b>	<b>367,314</b>	<b>7,099,788</b>	<b>2,395,532</b>	<b>471,286</b>	<b>685,780</b>	<b>2,905,911</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,054,601</b>	<b>(2,130,608)</b>	<b>137,769</b>	<b>11,641</b>	<b>134,703</b>	<b>7,234,264</b>	<b>(4,209,480)</b>	<b>(2,611,761)</b>	<b>280,878</b>	<b>94,918</b>
Debt Service as a Percentage of										
Noncapital Expenditures	16.04%	5.61%	5.33%	5.57%	5.82%	5.87%	5.70%	6.43%	7.91%	19.46%

See Independent Auditors' Report.



**CITY OF ELIZABETHTON, TENNESSEE**  
**COMBINED SCHEDULE OF CHANGES IN TAXES RECEIVABLE**  
**Based on Tax Year**

Tax Year	Taxes Receivable at July 1, 2012	Add Taxes Leined	Deduct Collections	Adjustments, Releases/ Abatements, Late Listings/Discoveries	Taxes Receivable at June 30, 2013
2013	\$ -	4,605,834	-	-	4,605,834
2012	4,530,923	-	(4,359,574)	12,029	183,378
2011	244,516	-	(175,391)	(12,733)	56,392
2010	62,148	-	(22,416)	(669)	39,063
2009	38,718	-	(14,060)	(44)	24,614
2008	29,601	-	(10,722)	(44)	18,835
2007	27,386	-	(8,262)	(44)	19,080
2006	15,159	-	(2,626)	(44)	12,489
2005	12,470	-	(6,323)	-	6,147
2004	13,023	-	(6,532)	-	6,491
2003	15,294	-	(2,273)	-	13,021
2002	3,993	-	(2,273)	-	1,720
2001	1,760	-	-	-	1,760
2000	3,707	-	-	-	3,707
1999	2,988	-	-	-	2,988
1998	4,059	-	-	-	4,059
Total	<u>\$ 5,005,745</u>	<u>4,605,834</u>	<u>(4,610,452)</u>	<u>(1,549)</u>	<u>4,999,578</u>

As of October 1, 2013, all of the above delinquent taxes have been filed by the City Attorney with the Carter County Chancery Court.

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY**  
**Last Ten Fiscal Years**

Tax Year	Total		Ratio of Assessed To Actual Value	Tax Rate
	Assessed	Estimated Value		
2012	\$ 253,568,595	\$ 838,755,716	30%	\$ 1.78
2011	254,388,581	825,701,897	31%	1.78
2010	217,582,031	731,318,801	30%	1.78
2009	216,807,173	727,791,154	30%	1.78
2008	214,686,906	721,095,965	30%	1.78
2007	214,594,913	712,259,053	30%	1.78
2006	213,075,562	706,899,099	30%	1.78
2005	156,216,923	524,143,493	30%	2.30
2004	148,756,011	497,847,706	30%	2.30
2003	145,919,809	488,957,623	30%	2.30

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2013**

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	Fiscal Year 2013
Total Assessed Property	<u>\$ 253,568,595</u>
Legal Debt Limit - 10% of Assessed Value	25,356,860
General Obligation Debt	<u>(7,175,000)</u>
Margin for Additional Borrowing	<u>\$ 18,181,860</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Bonded Debt	\$ 2,635,000	2,175,000	1,705,000	1,215,000	685,000	6,890,000	6,805,000	6,355,000	5,875,000	7,175,000
Assessed Valuation	\$ 145,919,809	148,756,011	156,216,923	213,075,562	214,594,913	214,686,906	216,807,173	217,582,031	254,388,581	253,568,595
Ratio of General Bonded Debt to Assessed Value	1.81%	1.46%	1.09%	0.57%	0.32%	3.21%	3.14%	2.92%	2.31%	2.83%
Bonded Debt per Capita Based on Census	\$ 14,017	14,017	14,017	14,017	14,017	14,017	14,176	14,176	14,176	14,176
Bonded Debt per Capita	\$ 188	155	122	87	49	492	480	448	414	506

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

See Independent Auditors' Report.

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

<u>Fund</u>	Tax Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund	\$ 2.30	2.30	2.30	1.78	1.78	1.78	1.78	1.78	1.78	1.78
<u>Assessed Valuation</u>										
Real and Personal	\$ 145,919,809	148,756,011	156,216,923	213,075,562	214,594,913	214,599,241	216,807,173	217,582,031	254,388,581	253,568,595
Public Utility	112,161	119,592	94,182	88,765	87,665	87,665	87,035	93,880	94,246	92,218
Total Assessed Valuation	\$ 146,031,970	148,875,603	156,311,105	213,164,327	214,682,578	214,686,906	216,894,208	217,675,911	254,482,827	253,660,813

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**UTILITY RATES FOR WATER AND SEWER, NUMBER OF CUSTOMERS**  
**For the Year Ended June 30, 2013**

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	<u>Inside Corporate Limits of City</u>	<u>Outside Corporate Limits of City</u>
<u>Water Meter Rates for Residential Commercial, and Industrial</u>		
1,000 gallons or less	Minimum \$ 7.72	Minimum 14.41
Above 1,000 to 500,000 gallons	3.26	6.24
Above 500,000 to 1,000,000 gallons	2.50	4.30
Above 1,000,000 gallons	2.40	4.03
<u>Wholesale Rates for Water for Utility Districts</u>		
First 100,000 gallons or less		Minimum 462.00
Above 100,000 gallons		4.56/m
<u>Sewer Rates for Residential, Industrial and Commercial</u>		
Base Rate	11.48	15.21
Cost per 1,000 gallons up to 9,000 gallons	2.72	5.08
Cost per 1,000 gallons over 9,000 gallons	2.72	3.7
<u>Number of Customers</u>		
Water (Inside and Outside)	11,403	
Sewer (Inside and Outside)	5,487	

See Independent Auditors' Report.

<b>AWWA WLCC Free Water Audit Software: Reporting Worksheet</b>																																									
Copyright © 2010, American Water Works Association. All Rights Reserved.				WAS v4.2																																					
<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <a href="#" style="border: 1px solid black; padding: 2px 5px; font-size: x-small;">Click to access definition</a> </div> <div> <b>Water Audit Report for:</b> <span style="border: 1px solid black; padding: 2px;">City of Elizabethton</span>  <b>Reporting Year:</b> <span style="border: 1px solid black; padding: 2px;">2013</span> <span style="border: 1px solid black; padding: 2px;">7/2012 - 6/2013</span> </div> <div> <a href="#" style="border: 1px solid black; padding: 2px 5px; font-size: x-small;">Back to Instructions</a> </div> </div>																																									
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 (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																																									
<b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b>																																									
<b>WATER SUPPLIED</b> <div style="text-align: right; font-size: x-small;">&lt;&lt; Enter grading in column 'E'</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Volume from own sources:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">8</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">1,737.602</td> <td style="width: 10%; font-size: x-small;">Million gallons (US)/yr (MG/Yr)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Master meter error adjustment (enter positive value):</td> <td style="text-align: center;">?</td> <td style="text-align: center;">3</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td>Water imported:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black; padding: 2px;">73.523</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td>Water exported:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td colspan="3"><b>WATER SUPPLIED:</b></td> <td style="border: 1px solid black; padding: 2px; background-color: #fff9c4;">1,811.125</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> </table>						Volume from own sources:	?	8	1,737.602	Million gallons (US)/yr (MG/Yr)		Master meter error adjustment (enter positive value):	?	3		MG/Yr		Water imported:	?	8	73.523	MG/Yr		Water exported:	?	n/a		MG/Yr		<b>WATER SUPPLIED:</b>			1,811.125	MG/Yr							
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<b>AUTHORIZED CONSUMPTION</b> <div style="text-align: right; font-size: x-small;">Click here: <a href="#" style="border: 1px solid black; padding: 2px 5px; font-size: x-small;">?</a> for help using option buttons below</div> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Billed metered:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">7</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">766.679</td> <td style="width: 10%; font-size: x-small;">MG/Yr</td> <td style="width: 10%;"></td> </tr> <tr> <td>Billed unmetered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;"></td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td>Unbilled metered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">9</td> <td style="border: 1px solid black; padding: 2px;">7.740</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td>Unbilled unmetered:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">7</td> <td style="border: 1px solid black; padding: 2px;">22.639</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td colspan="3">Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="3"><b>AUTHORIZED CONSUMPTION:</b></td> <td style="border: 1px solid black; padding: 2px; background-color: #fff9c4;">797.058</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> </table> <div style="text-align: right; font-size: x-small;">       Pcnt: <span style="border: 1px solid black; padding: 2px;">1.25%</span> <input checked="" type="radio"/> <input type="radio"/> Value: <span style="border: 1px solid black; padding: 2px;"></span>        Use buttons to select percentage of water supplied OR value     </div>						Billed metered:	?	7	766.679	MG/Yr		Billed unmetered:	?	n/a		MG/Yr		Unbilled metered:	?	9	7.740	MG/Yr		Unbilled unmetered:	?	7	22.639	MG/Yr		Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed						<b>AUTHORIZED CONSUMPTION:</b>			797.058	MG/Yr	
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<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b> <div style="border: 1px solid black; padding: 2px; background-color: #fff9c4; float: right; width: 150px; text-align: center;">1,014.067</div> <div style="clear: both;"></div> <b>Apparent Losses</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Unauthorized consumption:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">5</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">4.528</td> <td style="width: 10%; font-size: x-small;">MG/Yr</td> <td style="width: 10%;"></td> </tr> <tr> <td colspan="6">Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</td> </tr> <tr> <td>Customer metering inaccuracies:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">6</td> <td style="border: 1px solid black; padding: 2px;">32.267</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td>Systematic data handling errors:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">5</td> <td style="border: 1px solid black; padding: 2px;">0.000</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> <tr> <td colspan="6" style="border: 1px solid red; padding: 2px; font-size: x-small;">Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5</td> </tr> <tr> <td colspan="3"><b>Apparent Losses:</b></td> <td style="border: 1px solid black; padding: 2px; background-color: #fff9c4;">36.795</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> </table> <div style="text-align: right; font-size: x-small;">       Pcnt: <span style="border: 1px solid black; padding: 2px;">0.25%</span> <input checked="" type="radio"/> <input type="radio"/> Value: <span style="border: 1px solid black; padding: 2px;"></span>        Choose this option to enter a percentage of billed metered consumption. This is NOT a default value     </div>						Unauthorized consumption:	?	5	4.528	MG/Yr		Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed						Customer metering inaccuracies:	?	6	32.267	MG/Yr		Systematic data handling errors:	?	5	0.000	MG/Yr		Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5						<b>Apparent Losses:</b>			36.795	MG/Yr	
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<b>Real Losses (Current Annual Real Losses or CARL)</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Real Losses = Water Losses - Apparent Losses:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">5</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">977.272</td> <td style="width: 10%; font-size: x-small;">MG/Yr</td> <td style="width: 10%;"></td> </tr> <tr> <td colspan="3"><b>WATER LOSSES:</b></td> <td style="border: 1px solid black; padding: 2px; background-color: #fff9c4;">1,014.067</td> <td style="font-size: x-small;">MG/Yr</td> <td></td> </tr> </table>						Real Losses = Water Losses - Apparent Losses:	?	5	977.272	MG/Yr		<b>WATER LOSSES:</b>			1,014.067	MG/Yr																									
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<b>NON-REVENUE WATER</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">NON-REVENUE WATER:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">5</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">1,044.446</td> <td style="width: 10%; font-size: x-small;">MG/Yr</td> <td style="width: 10%;"></td> </tr> <tr> <td colspan="6" style="font-size: x-small;">= Total Water Loss + Unbilled Metered + Unbilled Unmetered</td> </tr> </table>						NON-REVENUE WATER:	?	5	1,044.446	MG/Yr		= Total Water Loss + Unbilled Metered + Unbilled Unmetered																													
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<b>SYSTEM DATA</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Length of mains:</td> <td style="width: 10%; text-align: center;">?</td> <td style="width: 10%; text-align: center;">4</td> <td style="width: 20%; border: 1px solid black; padding: 2px;">330.0</td> <td style="width: 10%; font-size: x-small;">miles</td> <td style="width: 10%;"></td> </tr> <tr> <td>Number of <u>active AND inactive</u> service connections:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">8</td> <td style="border: 1px solid black; padding: 2px;">11,546</td> <td style="font-size: x-small;">conn./mile main</td> <td></td> </tr> <tr> <td>Connection density:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">n/a</td> <td style="border: 1px solid black; padding: 2px;">35</td> <td style="font-size: x-small;">ft</td> <td></td> </tr> <tr> <td>Average length of customer service line:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">10</td> <td style="border: 1px solid black; padding: 2px;">0.0</td> <td style="font-size: x-small;">ft</td> <td style="font-size: x-small;">(pipe length between curbstop and customer meter or property boundary)</td> </tr> <tr> <td>Average operating pressure:</td> <td style="text-align: center;">?</td> <td style="text-align: center;">6</td> <td style="border: 1px solid black; padding: 2px;">100.0</td> <td style="font-size: x-small;">psi</td> <td></td> </tr> </table>						Length of mains:	?	4	330.0	miles		Number of <u>active AND inactive</u> service connections:	?	8	11,546	conn./mile main		Connection density:	?	n/a	35	ft		Average length of customer service line:	?	10	0.0	ft	(pipe length between curbstop and customer meter or property boundary)	Average operating pressure:	?	6	100.0	psi							
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Customer retail unit cost (applied to Apparent Losses):	?	9	\$5.03	\$/1000 gallons (US)																																					
Variable production cost (applied to Real Losses):	?	9	\$617.65	\$/Million gallons																																					
<b>PERFORMANCE INDICATORS</b> <div style="border: 1px solid black; padding: 5px;"> <b>Financial Indicators</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Non-revenue water as percent by volume of Water Supplied:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">57.7%</td> </tr> <tr> <td>Non-revenue water as percent by cost of operating system:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">18.7%</td> </tr> <tr> <td>Annual cost of Apparent Losses:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">\$185,080</td> </tr> <tr> <td>Annual cost of Real Losses:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">\$603,612</td> </tr> </table> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <b>Operational Efficiency Indicators</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Apparent Losses per service connection per day:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">8.73</td> <td style="font-size: x-small;">gallons/connection/day</td> </tr> <tr> <td>Real Losses per service connection per day*:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">231.89</td> <td style="font-size: x-small;">gallons/connection/day</td> </tr> <tr> <td>Real Losses per length of main per day*:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">N/A</td> <td></td> </tr> <tr> <td>Real Losses per service connection per day per psi pressure:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">2.32</td> <td style="font-size: x-small;">gallons/connection/day/psi</td> </tr> <tr> <td>Unavoidable Annual Real Losses (UARL):</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">128.38</td> <td style="font-size: x-small;">million gallons/year</td> </tr> <tr> <td>From Above, Real Losses = Current Annual Real Losses (CARL):</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">977.27</td> <td style="font-size: x-small;">million gallons/year</td> </tr> <tr> <td>Infrastructure Leakage Index (ILI) [CARL/UARL]:</td> <td style="border: 1px solid black; padding: 2px; text-align: center;">7.61</td> <td></td> </tr> </table> </div>						Non-revenue water as percent by volume of Water Supplied:	57.7%	Non-revenue water as percent by cost of operating system:	18.7%	Annual cost of Apparent Losses:	\$185,080	Annual cost of Real Losses:	\$603,612	Apparent Losses per service connection per day:	8.73	gallons/connection/day	Real Losses per service connection per day*:	231.89	gallons/connection/day	Real Losses per length of main per day*:	N/A		Real Losses per service connection per day per psi pressure:	2.32	gallons/connection/day/psi	Unavoidable Annual Real Losses (UARL):	128.38	million gallons/year	From Above, Real Losses = Current Annual Real Losses (CARL):	977.27	million gallons/year	Infrastructure Leakage Index (ILI) [CARL/UARL]:	7.61								
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* only the most applicable of these two indicators will be calculated																																									
<div style="border: 2px solid red; padding: 10px;"> <b>WATER AUDIT DATA VALIDITY SCORE:</b> <div style="border: 1px solid black; padding: 5px; text-align: center; font-weight: bold; font-size: 1.2em;">           *** YOUR SCORE IS: 77 out of 100 ***         </div> <p style="font-size: x-small;">A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p> <p><b>PRIORITY AREAS FOR ATTENTION:</b></p> <p style="font-size: x-small;">Based on the information provided, audit accuracy can be improved by addressing the following components:</p> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">1: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">2: Billed metered</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">3: Customer metering inaccuracies</div> <div style="text-align: right; margin-top: 10px;"> <a href="#" style="border: 1px solid black; padding: 2px 10px; font-size: x-small;">For more information, click here to see the Grading Matrix worksheet</a> </div> </div>																																									

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE**  
**CURRENT UTILITY RATES AND NUMBER OF CUSTOMERS**  
**June 30, 2013**

<u>Residential Rate Schedule</u>	<u>RS</u>	
Customer Charge -		
per delivery point per month	\$13.29	
Energy Charge - per kWh per month	\$0.09614	
<u>General Power Rate Schedule</u>	<u>GSA</u>	<u>GSB</u>
	(Demand 0-	(Demand
	5,000 kW)	5,000 to
		12,000 kW)
<i>Part 1.</i>		
Customer Charge		
Per delivery point per month	\$14.46	\$1,500.00
Energy Charge - per kWh per month	\$0.10504	
Per kWh up to 620 hours per month		\$0.04972
Per kWh all additional per month		\$0.04972
Demand Charge - per kW per month		\$21.63
Excess of billing demand over		
contract demand - per kW per month		\$21.63
<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	\$12.44	
Energy charge - per kWh per month		
First 15,000 kWh	\$0.10483	
Additional kWh per month	\$0.06452	
<i>Part 3.</i>		
Customer Charge		
Per delivery point per month	\$150.00	
Demand Charge - per kW per month		
First 1,000 kW	\$13.07	
Excess over 1,000 kW	\$14.36	
Excess of higher of 2,500 kW or		
contract demand	\$0.00	
Energy Charge - per kWh per month		
First 15,000 kWh	\$0.06451	
Additional kWh	\$0.06451	
<u>Outdoor Lighting Rate Schedule</u>	<u>LS</u>	
Customer Charges		
Per delivery point per month	\$3.70	
Energy Charge - per kWh	\$0.06771	
<u>Number of Customers</u>		
Residential	22,734	
General	3,255	
Street, Athletic and Outdoor Lighting	42	
Total Customers	26,031	

See Independent Auditors' Report.



**INTERNAL CONTROL AND  
COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 26, 2013. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness: 2012-01.

City of Elizabethton  
Independent Auditors' Report on Internal  
Control over Financial Reporting

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2013-01 through 2013-02.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2013-01 through 2013-02.

**City of Elizabethton, Tennessee's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLLC  
Johnson City, Tennessee

November 26, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Elizabethton, Tennessee's (the City) compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the City of Elizabethton Board of Education, which received \$2,408,201 in federal awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the City of Elizabethton Board of Education because a separate report was issued for the City of Elizabethton Board of Education in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

City of Elizabethton  
Independent Auditors' Report on  
Compliance For Each Major Program

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Blackburn, Childers & Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLLC  
Johnson City, Tennessee

November 26, 2013

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on 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.
2. Two significant deficiencies and one material weakness relating to the audit of the financial statements of the City of Elizabethton, Tennessee were disclosed during the audit.
3. One instance of noncompliance material to the financial statements of the City of Elizabethton, Tennessee was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the City of Elizabethton, Tennessee expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510 (a) of Circular A-133.
7. The program tested as a major program was the Community Development Block Grant, CFDA #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Elizabethton, Tennessee was not determined to be a low-risk auditee.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

**CURRENT YEAR FINDINGS**

***2013-01: Significant Deficiency: City - Purchasing Procedures***

**Condition:** As part of our audit procedures for determining whether the purchasing process was operating as designed, we performed tests of both City and Electric disbursements. Our examination noted instances in which purchase orders were issued after the invoice date. Other instances were noted in which meal receipts submitted were not properly itemized. Instances were also noted in which departmental purchase orders could not be obtained in order to verify properly issued.

**Criteria:** Purchasing procedures as adopted by the City and Electric Department specify requirements for purchase order issuance.

**Effect:** The effect of this deficiency results in a weakness in internal control.

**Recommendation:** We recommend that the City and Electric continue to follow adopted purchasing procedures.

**Management's Response:** Management agrees with finding regarding purchasing procedures. This finding was addressed in the City Manager's staff meeting by the Finance Director and City Manager. The Purchasing Director has sent out memos regarding the appropriate purchasing procedure to all Department and Division Heads expressing the importance of the purchase orders being completed before the purchase is made. Purchasing and accounting are spot checking invoice dates and packing tickets along purchase order verification. The itemized meal receipts issue was addressed in the City Manager's staff meeting. Department purchase orders are currently being attached to the invoice.

***2013-02: Significant Deficiency: Elizabethton Electric - Storage and Safety of Accounting Records***

**Condition:** Critical accounting records (including account reconciliations and calculation details) were not always being saved to the Department's computer network. It was also noted that files were being stored on personal portable storage devices.

**Criteria:** Accounting records should be saved to the Department's computer network. Backups of the computer network should be performed on a regular basis.

**Effect:** The Department continues to be open to the risk of loss of critical records due to system failure, unexpected employee absences, or employee turnover.

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)**

**CURRENT YEAR FINDINGS (CONTINUED)**

***2013-02: Significant Deficiency: Elizabethton Electric - Storage and Safety of Accounting Records (Continued)***

***Recommendation:*** To prevent the further loss of critical, and potentially sensitive, accounting records, the Department should adopt a policy of storing all source documents, such as the general ledger, detailed accounts receivable records, bank reconciliations, etc. in one central place on the Department's network. Once on the network, the information should be backed up frequently and accessible if needed. We also suggest that the Department develop a policy to address the use of storage of information on mobile devices, including the use of personal devices for business purposes. Only persons showing necessity to perform specific job-related duties should be authorized to use portable storage devices.

***Management's Response:*** Management agrees with the finding and currently all source documents are being stored on the City's server and the server is backed up on a daily basis. The backups are stored offsite. Management will develop a policy to address portable storage devices for authorized use.

**PRIOR YEAR FINDINGS NOT IMPLEMENTED**

***2012-01: Material Weakness: Elizabethton Electric - Work Orders (Repeated from 6/30/07 Report with additional current year items noted)***

***Condition:*** The following issues were noted in regard to work orders:

**Work Order Report Discrepancies**

Capital assets per the CSA plant account ledger differed from the TVA report at June 30, 2013 by approximately \$1,012,544. Differences appear to be caused by the lack of a functioning work order system during fiscal year 2012 and the lack of maintenance and reconciliation in the past.

**Completed Work Orders Remaining in Construction In Progress**

While improvements in closing completed work orders were noted, several major work orders remained opened and not closed to the proper capital asset account and depreciated. It appears projects that appear to have been complete are remaining within Construction in Progress (CIP).

**Work Order Documentation**

During our detailed testing of work orders, it was noted that costs associated with contract labor are being posted to the WMS as direct costs instead of being posted as contract labor.



**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (CONTINUED)**

**PRIOR YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)**

**2012-01: Material Weakness: Elizabethton Electric - Work Orders (Repeated from 6/30/07 Report with additional current year items noted) (continued)**

CIP Clearing Account

Expenses relating to a mapping system that the Department was never able to put into service were initially capitalized to a work order and were not properly expensed once the Department was aware that the system could not be used. The Department expensed half of the total work order cost in fiscal year 2013. Therefore, an audit adjusting entry was posted to expense the remaining work order cost.

**Criteria:** Proper work order procedures should be followed to properly capitalize and document all aspects of the work order to enhance internal controls over the financial reporting process. The plant account ledger should be properly maintained and reconciled to the monthly TVA report. Once a project has been completed, the corresponding work order should be closed and depreciated.

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

**Recommendation:** The Department should investigate and correct the differences between the plant account ledger and the TVA report. Once these differences are corrected, the Department should continue to reconcile the plant account ledger and the TVA report on a monthly basis so that any differences are timely noted and corrected. The Department should continue to close and depreciate all completed work orders. Contract labor expense should be posted as such within the work order management system so that work order reports are reflective of the work being performed either by the Department or by an outside party. Expenses relating to any nonfunctioning assets should be expensed.

**Management's Response:** Management agrees with the finding. The senior accountant is currently reconciling the plant account with the TVA report. The work order coordinator is continuing the process of closing outstanding work orders. Due to the conversion to the CSA system, a lump sum amount was used for work order costs to facilitate the conversion. Currently, the details including contract labor are being posted.

**PRIOR YEAR FINDINGS IMPLEMENTED**

<u>Number</u>	<u>Finding</u>	<u>Page</u>
2012-02	Payroll Allocation	151
2011-04	Excess Water Loss	151
2010-05	Audit Adjustments	157

**CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AUDIT**

None Noted