



CITY OF ELIZABETHTON, TENNESSEE

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

CITY OF ELIZABETHTON, TENNESSEE

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

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**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elizabethton, Tennessee (the City), as of and for the fiscal year ended June 30, 2014, 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-one percent, twenty-four percent, and six percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

City of Elizabethton, Tennessee
Independent Auditors' Report

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 12 and 94 and 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

City of Elizabethton, Tennessee
Independent Auditors' Report

The combining and individual fund statements and schedules and the supplemental section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors.

In our opinion, based on our audit the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules and supplemental section are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The 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 December 5, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

December 5, 2014

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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, 2014.

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 **\$83,227,387** (*net position*). Of this amount, **\$66,877,091** is net investment in capital assets.
- The City's total net position decreased by **\$48,607**.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$8,390,665**. Of this amount, **\$44,062** is Non-Spendable, **\$300,848** is Restricted, **\$4,318,858** is Committed, **\$834,541** is Assigned and **\$2,892,356** is Unassigned Fund Balance.
- At the end of the current fiscal year, fund balance for the general fund was **\$7,775,226** or **38%** of total general fund expenditures including transfers out. This balance included **\$19,062 Non-Spendable, \$49,131 Restricted, \$4,185,203 Committed, \$629,514 Assigned and \$2,892,356 Unassigned Fund Balances**.
- The City's total debt increased by **\$4,662,317 (8%)** 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.

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 twelve (12) individual governmental funds. In the current year, the City maintains ten (10) individual governmental funds. Nine (9) of these governmental funds are classified as non-major and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and non-major governmental funds, all of which are combined into a single, aggregate presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 15 through 26 of this report.

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 33 through 93 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 96 through 107 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 **\$83,227,387** at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (**80%**) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current Assets	\$ 14,255,728	13,123,103	32,648,915	30,838,442	46,904,643	43,961,545
Other Assets	-	-	1,428,645	1,387,687	1,428,645	1,387,687
Plant and Equipment (Net)	12,995,656	12,742,861	106,025,458	103,497,975	119,021,114	116,240,836
Total Assets	27,251,384	25,865,964	140,103,018	135,724,104	167,354,402	161,590,068
Deferred Outflows of Resources:						
Deferred Bond Refunding Costs	-	-	97,620	53,399	97,620	53,399
Total Deferred Outflow of Resources	0	0	97,620	53,399	97,620	53,399
Liabilities:						
Current Liabilities	745,326	388,453	13,961,557	13,659,565	14,706,883	14,048,018
Long-Term Liabilities						
Due Within One Year	1,083,171	1,060,490	2,180,130	2,147,656	3,263,301	3,208,146
Due Within More Than One Year	12,612,730	7,675,019	48,813,605	48,830,456	61,426,335	56,505,475
Total Liabilities	14,441,227	9,123,962	64,955,292	64,637,677	79,396,519	73,761,639
Deferred Inflows of Resources:						
Deferred Revenues - Property Tax	4,828,116	4,605,834	-	-	4,828,116	4,605,834
Total Deferred Inflow of Resources	4,828,116	4,605,834	0	0	4,828,116	4,605,834
Net Position:						
Net Investment in Capital Assets	10,490,459	10,299,627	56,386,632	53,717,874	66,877,091	64,017,501
Restricted	300,848	-	-	-	300,848	-
Unrestricted	(2,809,266)	1,836,541	18,858,714	17,421,952	16,049,448	19,258,493
Total Net Position	\$ 7,982,041	12,136,168	75,245,346	71,139,826	83,227,387	83,275,994

The government's net position **decreased \$48,607** during the current fiscal year. Of the total change, governmental activities decreased **\$4,154,127** while business-type activities increased **\$4,105,520**.

The following is a summary of financial activities for the City during the 2014 fiscal year:

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

City of Elizabethton CHANGE IN NET POSITION As of June 30, 2014						
	Governmental Activities		Business-Type Activities		Total	
Revenues	2014	2013	2014	2013	2014	2013
Program Revenues:						
Charges for Services	\$ 1,282,487	1,365,426	66,308,882	65,500,427	67,591,369	66,865,853
Operating Grants	13,616	43,669	-	-	13,616	43,669
Capital Grants	7,719	4,778	50,110	590,609	57,829	595,387
Total Program Revenues	1,303,822	1,413,873	66,358,992	66,091,036	67,662,814	67,504,909
General Revenues:						
Property Taxes	4,856,278	4,712,052	-	-	4,856,278	4,712,052
Other Taxes	5,168,810	4,559,147	-	-	5,168,810	4,559,147
Miscellaneous	2,679,753	2,950,136	40,443	43,168	2,720,196	2,993,304
Total General Revenues	12,704,841	12,221,335	40,443	43,168	12,745,284	12,264,503
Total Revenues	14,008,663	13,635,208	66,399,435	66,134,204	80,408,098	79,769,412
Expenses - Governmental Activities						
General Government	905,738	974,186	-	-	905,738	974,186
Public Safety	5,572,648	5,482,963	-	-	5,572,648	5,482,963
Public Works	2,334,992	1,958,961	-	-	2,334,992	1,958,961
Health and Welfare	194,258	187,911	-	-	194,258	187,911
Building Code Enforcement	305,412	312,324	-	-	305,412	312,324
Community Development	137,049	135,732	-	-	137,049	135,732
Culture and Recreation	1,474,866	1,504,687	-	-	1,474,866	1,504,687
Education	7,339,934	2,632,885	-	-	7,339,934	2,632,885
Airport	145,000	145,000	-	-	145,000	145,000
Other	98,318	135,227	-	-	98,318	135,227
Interest on Long-Term Debt	504,701	271,676	-	-	504,701	271,676
Total Governmental Activities	19,012,916	13,741,552	0	0	19,012,916	13,741,552
Business-Type Activities:						
Water and Sewer	-	-	8,072,676	8,058,277	8,072,676	8,058,277
Electric Department	-	-	52,339,675	50,851,625	52,339,675	50,851,625
Sanitation	-	-	1,031,438	958,488	1,031,438	958,488
Total Business-Type Activities	0	0	61,443,789	59,868,390	61,443,789	59,868,390
Total Expenses	19,012,916	13,741,552	61,443,789	59,868,390	80,456,705	73,609,942
Transfers	850,126	752,416	(850,126)	(752,416)	-	-
Change in Net Position	(4,154,127)	646,072	4,105,520	5,513,398	(48,607)	6,159,470
Net Position, Beginning	12,136,168	11,589,216	71,139,826	63,619,033	83,275,994	75,208,249
Prior Period Adjustment	-	(99,120)	-	2,007,395	-	1,908,275
Net Position, Beginning (Restated)	12,136,168	11,490,096	71,139,826	65,626,428	83,275,994	77,116,524
Net Position, Ending	\$ 7,982,041	12,136,168	75,245,346	71,139,826	83,227,387	83,275,994

Governmental Activities. Governmental activities decreased the City's net position by **\$4,154,127**. A reconciliation of this decrease can be found on page 18 of this report.

Business-type activities. Business-type activities increased the City's net position by **\$4,105,520**.

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, 2014

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of **\$8,390,665**. Of this amount, **\$44,062** is Non-Spendable, **\$300,848** is Restricted, **\$4,318,858** is Committed, **\$834,541** is Assigned, and **\$2,892,356** 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 **\$7,775,266**, including **\$19,062** Non-Spendable, **\$49,131** Restricted, **\$4,185,203** Committed, **\$629,514** Assigned and **\$2,892,356** 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 **14%** of total general fund expenditures and transfers out, while total fund balance represents **38%** of that same amount.

Non-major (other) governmental funds have a fund balance of **\$615,399**. The net **increase** in fund balance during the current year was **\$18,225**.

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 **\$18,858,714**. 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:

\$5,450,000	Funding for the 2013 General Obligation School Improvements and Refunding Bond
121,589	Funding to support the Elizabethton Golf Course
175,000	Funding to cover paving of Elk Avenue/Sycamore Street and replace downtown canopies
42,000	Funding to cover transfer to Police Equipment Fund
250,000	Funding to cover transfer to new Animal Shelter Project

Of this **increase**, most of the cost was funded from issuance of a new GO Bond. The balance was funded from Fund Balance Appropriated.

One measure of a general fund budget is to compare revenue generated by departments with total expenditures of the department to determine the amount of supplement required to fund the department. The following charts do that comparison for the fiscal year ending June 30, 2014.

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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

General Government	Expenses	Revenues	2014		General Fund Subsidy
			Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 905,738	744,193	-	-	161,545
Public Safety	5,572,648	432,391	8,006	-	5,132,251
Public Works	2,334,992	-	-	-	2,334,992
Community Development	137,049	-	-	-	137,049
Health and Welfare	194,258	45	-	-	194,213
Culture and Recreation	1,474,866	105,858	5,610	7,719	1,355,679
Total General Fund Subsidy					9,315,729

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, 2014, amounts to **\$119,021,114** (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 Excavator/Three New Vehicles/New Boring Machine/New Service Truck/New Dump Truck/Two New Trailers/Big Springs Water Treatment Plant Filter – Water Dept.
- Five New Vehicles/New 911 Fiber Optic Cable – Police Dept.
- Construction of Lions Field Pump Station/New Vehicle/New Mixers – Sewer/Waste Water Dept.
- Replacement of Riverview Garrison Hollow Water Line
- HVAC Roof Unit – TN Rehab Center/Roof Replacement – Senior Center Building/Two New Vehicles – Building Codes Dept.
- New Digital Microfilm Reader/New Heat Pump – Library Dept.
- Two New Vehicles/New Backhoe/Two New Salt Spreaders & Snow Plows/New Elk Avenue Canopies/New Sidewalks – Street Department.
- New Vehicle/Three New Mowers/Grading & Paving of Linear Path Trail/New Picnic Tables for Linear Path & Franklin Pool/New Filtration Pump – Franklin Pool/New Tennis Court Fence/New Playground Equipment/New Sidewalk & ADA Accessible Ramp – Stadium Entrance – Park and Recreation Dept.
- New 4 Post 18,000 LB Lift – City Garage
- New Vehicle – Fire Dept.
- New Handheld Surveying Unit – Engineering Dept.

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

City of Elizabethton
Total Net Capital Assets
as of June 30, 2014

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Net Capital Assets						
Land	\$ 1,897,344	1,897,344	1,513,969	1,513,969	3,411,313	3,411,313
Water Right	-	-	4,604,167	4,854,169	4,604,167	4,854,169
Library Infrastructure	762,552	736,856	-	-	762,552	736,856
Construction in Progress	348,995	674,485	5,600,282	29,652,544	5,949,277	30,327,029
Buildings and Improvements	4,104,110	3,670,238	13,502,175	13,892,784	17,606,285	17,563,022
Motor Equipment	1,275,030	1,124,151	5,035,602	3,214,766	6,310,632	4,338,917
Office Equipment	720,256	599,554	663,956	341,151	1,384,212	940,705
Infrastructure	3,887,369	4,040,233	75,105,307	50,028,592	78,992,676	54,068,825
Total Net Capital Assets	<u>\$ 12,995,656</u>	<u>12,742,861</u>	<u>106,025,458</u>	<u>103,497,975</u>	<u>119,021,114</u>	<u>116,240,836</u>

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 **\$62,697,313**. All of this debt is backed by the full faith and credit of the government.

City of Elizabethton
Debt Outstanding
As of June 30, 2014

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Outstanding Debt</u>						
General Obligation	\$ 11,489,611	7,182,433	-	-	11,489,611	7,182,433
Notes Payable	625,586	218,233	3,510,443	1,674,646	4,136,029	1,892,879
Revenue Bonds	-	-	46,200,016	48,108,257	46,200,016	48,108,257
Capital Lease	-	-	25,987	50,597	25,987	50,597
Compensated Absences	397,478	367,934	448,192	432,896	845,670	800,830
Total Outstanding Debt	<u>\$ 12,512,675</u>	<u>7,768,600</u>	<u>50,184,638</u>	<u>50,266,396</u>	<u>62,697,313</u>	<u>58,034,996</u>

The City's total debt, excluding the OPEB liability, **increased \$4,662,318 (8%)** during the current fiscal year. The increase was due to the issuance of a new General Obligation School Improvement and Refunding Bond, a new General Fund Capital Outlay Note, and two new Water and Sewer Fund Capital Outlay Notes. 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 55 through 69 of this report.

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the metropolitan statistical area is currently **7.7%**, which is a **decrease** of **0.2%** from a year ago. This compares to the state's average unemployment rate of **8.4%** as of July 31, 2013.
- Inflationary trends in the region are comparable to national indexes.
- New construction permitted and inspected over the previous year was **\$11,177,425**, of which **\$9,465,115** is commercial, including **51 permits issued**.
- Local sales tax collections are expected to increase approximately **1.5%** in fiscal year 2015 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 2014-15.

During the current fiscal year, unassigned fund balance in the general fund increased \$293,773. The increase was due to (1) final expenses being less than budget, (2) a planned increase in fund balance.

As the result of a water and sewer cost rate study by the City finance director, water and sewer rates were recommended to be increased by 10% in fiscal year 2009 and a 3% increase for each year until fiscal year 2020 to fund inflationary costs associated with operations and planned capital improvements. Sewer rate adjustments were implemented by council with a rate increase of 10% for fiscal year 2011, a 5% increase each year until fiscal year 2016, and a 3% increase each year until fiscal year 2020. Residential garbage collection rates, as well as commercial and industrial collection rates, remained steady.

Discretely Presented Component Units

-EDUCATION FUND-

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

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

-GOLF COURSE-

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

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

CITY OF ELIZABETHTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

-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

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, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Elizabethton Municipal Airport	Elizabethton Board of Education	Elizabethton Municipal Golf Course
ASSETS						
Cash and Cash on Hand	\$ 1,712,175	17,861,508	19,573,683	21,461	1,206,965	69,905
Investments	1,674,287	3,333,583	5,007,870	-	-	-
Receivables (Net of Allowances for Uncollectibles)						
Taxes	5,243,912	-	5,243,912	-	-	-
Accounts	35,706	6,509,819	6,545,525	39,680	28,115	17
Internal Balances	(7,140)	7,140	-	-	-	-
Due from Other Governments	1,190,827	322,590	1,513,417	158,997	3,910,841	-
Inventories	16,249	1,497,632	1,513,881	64,567	35,165	26,045
Prepaid Expense	2,813	-	2,813	-	-	291
Restricted Assets						
Investments	4,386,899	-	4,386,899	-	-	-
Cash	-	3,116,643	3,116,643	241,419	4,941,442	-
Other Assets	-	1,428,645	1,428,645	255	-	-
Capital Assets						
Land	1,897,344	1,513,969	3,411,313	2,534,251	216,170	-
Water Right	-	4,604,167	4,604,167	-	-	-
Construction In Progress	348,995	5,600,282	5,949,277	702,288	147,141	-
Library Infrastructure	762,552	-	762,552	-	-	-
Buildings and Improvements	7,832,303	26,337,324	34,169,627	4,842,512	23,696,698	72,334
Motor Equipment	4,371,933	10,518,656	14,890,589	378,232	1,941,400	788,676
Office Equipment	2,646,671	1,412,956	4,059,627	-	-	13,442
Infrastructure	11,076,267	106,911,214	117,987,481	-	-	1,424,926
Less: Accumulated Depreciation	(15,940,409)	(50,873,110)	(66,813,519)	(2,234,583)	(10,940,239)	(1,721,038)
Total Assets	27,251,384	140,103,018	167,354,402	6,749,079	25,183,698	674,598
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Bond Refunding Costs	-	97,620	97,620	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	97,620	97,620	0	0	0
LIABILITIES						
Cash Overdraft	-	-	-	-	272,598	-
Accounts Payable	593,332	7,062,332	7,655,664	316,858	574,472	11,476
Retainages Payable	-	105,032	105,032	23,700	-	-
Customer Deposits	-	3,002,064	3,002,064	125	-	-
Advance from TVA	-	1,398,023	1,398,023	-	-	-
Accrued Expenses	136,484	2,183,800	2,320,284	315	-	10,553
Due to Other Governments	2,566	-	2,566	-	-	-
Other Liabilities	12,944	195,050	207,994	356	-	824
Unearned Revenues	-	15,256	15,256	33,536	-	104,971
Noncurrent Liabilities						
Due Within One Year	1,083,171	2,180,130	3,263,301	104,115	15,498	37,190
Due Within More Than One Year	12,612,730	48,813,605	61,426,335	307,998	2,975,223	84,390
TOTAL LIABILITIES	14,441,227	64,955,292	79,396,519	787,003	3,837,791	249,404
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	4,828,116	-	4,828,116	-	2,877,738	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,828,116	0	4,828,116	0	2,877,738	0
NET POSITION						
Net Investment in Capital Assets	10,490,459	56,386,632	66,877,091	5,554,834	15,061,170	456,760
Restricted	300,848	-	300,848	241,419	5,139,859	725
Unrestricted	(2,809,266)	18,858,714	16,049,448	165,823	(1,732,860)	(32,291)
TOTAL NET POSITION	\$ 7,982,041	75,245,346	83,227,387	5,962,076	18,468,169	425,194

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, 2014

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
Primary Government										
Governmental Activities										
General Government	\$ 905,738	744,193	-	-	(161,545)	-	(161,545)	-	-	-
Public Safety	5,572,648	432,391	8,006	-	(5,132,251)	-	(5,132,251)	-	-	-
Public Works	2,334,992	-	-	-	(2,334,992)	-	(2,334,992)	-	-	-
Health and Welfare	194,258	45	-	-	(194,213)	-	(194,213)	-	-	-
Building Code Enforcement	305,412	-	-	-	(305,412)	-	(305,412)	-	-	-
Community Development	137,049	-	-	-	(137,049)	-	(137,049)	-	-	-
Culture and Recreation	1,474,866	105,858	5,610	7,719	(1,355,679)	-	(1,355,679)	-	-	-
Education	7,339,934	-	-	-	(7,339,934)	-	(7,339,934)	-	-	-
Airport	145,000	-	-	-	(145,000)	-	(145,000)	-	-	-
Other	98,318	-	-	-	(98,318)	-	(98,318)	-	-	-
Interest on Long-Term Debt	504,701	-	-	-	(504,701)	-	(504,701)	-	-	-
Total Governmental Activities	19,012,916	1,282,487	13,616	7,719	(17,709,094)	0	(17,709,094)	0	0	0
Business-Type Activities										
Water and Sewer	8,072,676	8,262,960	-	50,110	-	240,394	240,394	-	-	-
Electric Department	52,339,675	56,875,926	-	-	-	4,536,251	4,536,251	-	-	-
Sanitation	1,031,438	1,169,996	-	-	-	138,558	138,558	-	-	-
Total Business-Type Activities	61,443,789	66,308,882	0	50,110	0	4,915,203	4,915,203	0	0	0
Total Primary Government	\$ 80,456,705	67,591,369	13,616	57,829	(17,709,094)	4,915,203	(12,793,891)	0	0	0
Component Units										
Airport	\$ 1,115,914	957,399	162,434	801,333	-	-	-	805,252	-	-
Education - School Board	23,297,840	613,225	5,660,341	5,017,959	-	-	-	-	(12,006,315)	-
Golf Course	633,676	595,217	-	-	-	-	-	-	-	(38,459)
Total Component Units	\$ 25,047,430	2,165,841	5,822,775	5,819,292	0	0	0	805,252	(12,006,315)	(38,459)
General Revenues										
Taxes										
Property Taxes					4,856,278	-	4,856,278	-	2,770,362	-
Sales Taxes					4,281,604	-	4,281,604	-	1,825,454	-
In-Lieu of Taxes					18,759	-	18,759	-	-	-
Business Taxes					353,049	-	353,049	-	-	-
Other Taxes					515,398	-	515,398	-	95,891	-
Other Local Governments					44,981	-	44,981	-	14,759	-
State Aid					1,976,468	-	1,976,468	-	11,587,117	-
Unrestricted Investment Earnings					9,463	40,443	49,906	77	15,016	105
Loss on Disposal of Capital Assets					-	-	-	-	(2,139)	-
Contributions not Restricted to Specific Programs					-	-	-	-	83,537	-
Miscellaneous					648,841	-	648,841	-	360	-
Transfers					850,126	(850,126)	-	-	-	-
Special Items					-	-	-	-	-	121,589
Total General Revenues, Transfers and Special Items					13,554,967	(809,683)	12,745,284	77	16,390,357	121,694
Change in Net Position					(4,154,127)	4,105,520	(48,607)	805,329	4,384,042	83,235
Net Position - Beginning					12,136,168	71,139,826	83,275,994	5,156,747	14,084,127	341,959
Net Position - Ending					\$ 7,982,041	75,245,346	83,227,387	5,962,076	18,468,169	425,194

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

CITY OF ELIZABETHTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash on Hand	\$ 1,168,596	543,579	1,712,175
Investments	1,594,362	79,925	1,674,287
Receivables (Net of Allowances for Uncollectibles)			
Taxes	5,243,912	-	5,243,912
Accounts	28,295	7,411	35,706
Due From Other Funds	30,675	1,024	31,699
Due From Other Governments	1,190,827	-	1,190,827
Inventories	16,249	-	16,249
Prepaid Expense	2,813	-	2,813
Restricted Assets - Investments	4,386,899	-	4,386,899
TOTAL ASSETS	\$ 13,662,628	631,939	14,294,567
LIABILITIES			
Accounts Payable	\$ 589,867	3,465	593,332
Other Liabilities	1,459	11,485	12,944
Due to Other Governments	2,566	-	2,566
Due to Other Funds	37,249	1,590	38,839
TOTAL LIABILITIES	631,141	16,540	647,681
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	4,828,116	-	4,828,116
Other Deferred Unavailable Revenues	428,105	-	428,105
TOTAL DEFERRED INFLOWS OF RESOURCES	5,256,221	0	5,256,221
FUND BALANCES			
Total Non-Spendable	19,062	25,000	44,062
Total Restricted	49,131	251,717	300,848
Total Committed	4,185,203	133,655	4,318,858
Total Assigned	629,514	205,027	834,541
Total Unassigned	2,892,356	-	2,892,356
TOTAL FUND BALANCES	7,775,266	615,399	8,390,665
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,662,628	631,939	14,294,567

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, 2014

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

Total Fund Balances - Governmental Funds	\$ 8,390,665
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 \$28,936,065 and the accumulated depreciation is \$(15,940,409).	12,995,656
Other long-term assets not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	428,105
Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds.	(136,484)
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>(13,695,901)</u>
Total Net Position - Governmental Activities	<u>\$ 7,982,041</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, 2014

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,009,980	-	10,009,980
Licenses and Permits	212,619	-	212,619
Intergovernmental	2,029,455	7,719	2,037,174
Charges for Services	1,430,175	-	1,430,175
Donations	-	5,610	5,610
Fines and Forfeitures	219,845	212,546	432,391
Miscellaneous	648,832	9	648,841
Interest Earnings	8,892	571	9,463
TOTAL REVENUES	14,559,798	226,455	14,786,253
EXPENDITURES			
General Government	1,560,333	6,605	1,566,938
Public Safety	5,067,225	129,942	5,197,167
Public Works	2,011,900	-	2,011,900
Health and Welfare	193,322	-	193,322
Building Code Enforcement	305,412	-	305,412
Community Development	137,049	-	137,049
Culture and Recreation	1,192,119	-	1,192,119
Golf Course	121,589	-	121,589
Education	7,339,934	-	7,339,934
Airport	145,000	-	145,000
Special Appropriations	91,572	-	91,572
Debt Service	1,282,783	-	1,282,783
Other Operating Expenditures	-	6,746	6,746
Capital Outlay	662,253	336,846	999,099
TOTAL EXPENDITURES	20,110,491	480,139	20,590,630
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,550,693)	(253,684)	(5,804,377)
OTHER FINANCING SOURCES (USES)			
Refunding Bonds Issued	5,450,000	-	5,450,000
Premium on Refunding Bonds Issued	40,253	-	40,253
Payment to Refunded Bond Escrow	(374,567)	-	(374,567)
Capital Outlay Note Issued	441,838	-	441,838
Transfers In	850,126	271,909	1,122,035
Transfers Out	(271,909)	-	(271,909)
TOTAL OTHER FINANCING SOURCES (USES)	6,135,741	271,909	6,407,650
Net Change in Fund Balances	585,048	18,225	603,273
Fund Balances - Beginning	7,190,218	597,174	7,787,392
Fund Balances - Ending	\$ 7,775,266	615,399	8,390,665

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, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ 603,273
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense of \$999,099 exceeds depreciation expense of \$746,304.	252,795
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.	15,108
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.	(29,544)
Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,214,485
The issuance of long-term debt (e.g., bonds and capital outlay notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount of current year debt proceeds.	(5,891,838)
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.	(64,911)
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	(216,317)
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>(37,178)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,154,127)</u></u>

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

CITY OF ELIZABETHTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes				
General Property Taxes				
Current Property Taxes	\$ 4,341,500	4,394,090	4,410,240	16,150
Delinquent Property Taxes	420,137	420,137	362,873	(57,264)
Interest, Penalty and Attorney Fees	70,000	72,000	68,057	(3,943)
Total General Property Taxes	4,831,637	4,886,227	4,841,170	(45,057)
General Sales Tax				
Local Option Sales Tax	3,530,510	3,530,510	3,503,130	(27,380)
Selective Use and Sales Tax				
Local Beer Tax 17%	500,000	500,000	515,398	15,398
In-Lieu of Taxes				
Elizabethton Housing Authority	18,631	18,631	15,175	(3,456)
Brookhaven Homes for Elderly	3,300	3,585	3,584	(1)
Total In-Lieu of Taxes	21,931	22,216	18,759	(3,457)
Gross Receipts Taxes	338,450	338,450	353,049	14,599
Local Option	754,000	754,000	778,474	24,474
Total Taxes	9,976,528	10,031,403	10,009,980	(21,423)

(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, 2014

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
REVENUES (CONTINUED)				
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	5,133	133
Retail Liquor	75,000	87,181	104,375	17,194
Recording Fee	1,000	1,000	-	(1,000)
Electric, Gas and Plumbing	1,000	1,000	195	(805)
Fireworks	3,000	3,000	1,600	(1,400)
Total Licenses	89,000	101,181	111,303	10,122
Special Permits				
Electrical	15,000	15,000	11,827	(3,173)
Building	60,000	68,576	76,711	8,135
Plumbing	5,000	5,375	6,860	1,485
Gas	2,000	3,675	3,981	306
Demolition	2,000	2,000	850	(1,150)
Curb Cuts	100	100	30	(70)
Miscellaneous Permits	3,000	3,000	617	(2,383)
Pool	100	100	65	(35)
Moving	1,000	1,000	-	(1,000)
Erosion and Sediment	2,000	2,000	375	(1,625)
Total Special Permits	90,200	100,826	101,316	490
Total Licenses and Permits	179,200	202,007	212,619	10,612
Intergovernmental Revenue				
Federal through State				
Library Grant	-	4,150	4,150	-
HIDTA	-	6,051	8,006	1,955
Total Federal through State	0	10,201	12,156	1,955

(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, 2014

	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.	64,000	64,000	64,710	710
TN Dept. of Transportation	2,000	2,000	-	(2,000)
Total State Awards	66,000	66,000	64,710	(1,290)
State Shared Revenues				
City Streets	31,000	31,000	29,021	(1,979)
Public Safety Supplemental Pay	42,000	42,000	42,600	600
Mixed Drink Tax	26,000	26,000	17,803	(8,197)
Income Tax	177,000	196,605	196,605	-
Sales Tax	946,000	946,000	1,012,817	66,817
State Street Aid	374,000	374,000	367,106	(6,894)
Beer Tax	7,000	7,000	6,708	(292)
TVA Replacement Tax	166,000	166,000	156,922	(9,078)
Excise Tax	118,000	118,000	76,547	(41,453)
Telecommunications Tax	1,000	1,175	1,479	304
State Land Acquisition	2,000	-	-	-
Total State Shared Revenues	1,890,000	1,907,780	1,907,608	(172)
Local Government Revenue				
Carter County-Animal Shelter	25,000	25,000	2,112	(22,888)
Carter County-Library	31,588	31,588	31,588	-
Carter County-Park and Recreation	11,280	11,281	11,281	-
First Judicial Drug Task Force	1,000	1,000	-	(1,000)
Total Local Government Revenue	68,868	68,869	44,981	(23,888)
Total Intergovernmental Revenue	2,024,868	2,052,850	2,029,455	(23,395)

(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, 2014

	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	551,510	551,510	434,228	(117,282)
Elizabethton Water and Sewer Division	800,000	800,000	792,698	(7,302)
Special Police Services	75,000	81,165	97,346	16,181
Total Various General Government Charges	1,426,510	1,432,675	1,324,272	(108,403)
Health				
Dog Tags	2,000	2,000	45	(1,955)
Total Health	2,000	2,000	45	(1,955)
Culture and Recreation				
Swimming Pool-Season Tickets	1,000	1,000	400	(600)
Swimming Pool-Daily Tickets	23,000	23,000	19,368	(3,632)
Swimming Pool-Concessions	8,000	8,000	535	(7,465)
Baseball-Season Tickets	5,000	5,000	3,576	(1,424)
Baseball-Daily Tickets	14,000	14,000	8,598	(5,402)
Baseball-Souvenir Sales	11,000	11,000	8,790	(2,210)
Baseball-Baseball Cards	1,000	1,000	-	(1,000)
Baseball-Advertising	20,500	20,500	25,638	5,138
Parks-Concession Sales	30,000	30,000	4,213	(25,787)
Other Miscellaneous - Park and Recreation	22,000	22,000	7,932	(14,068)
League Entrance Fees	28,000	29,235	16,326	(12,909)
Pavilion Rental	3,000	3,000	1,615	(1,385)
Rental	13,000	13,000	8,867	(4,133)
Total Culture and Recreation	179,500	180,735	105,858	(74,877)
Total Charges for Services	1,608,010	1,615,410	1,430,175	(185,235)

(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, 2014

	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	81,056	94,490	13,434
Fines - Defense Driving School	30,000	30,000	29,130	(870)
Court Fines	59,000	59,000	59,433	433
Storm Water	-	734	813	79
Sex Offender	1,000	1,000	900	(100)
Financial Responsibility	14,000	14,000	14,980	980
Easement/Right of Way	-	1,600	1,600	-
Seized Driver's License	200	200	200	-
Library Fines	18,000	18,000	18,299	299
Total Fines and Forfeitures	199,200	205,590	219,845	14,255
Miscellaneous Revenue				
Rents and Royalties				
TV Cable Franchise	149,000	149,000	234,253	85,253
Natural Gas Franchise	137,000	147,054	147,053	(1)
City Property	1,000	1,000	10	(990)
Tennessee Vocational Training Center	78,960	78,960	78,960	-
Total Rents and Royalties	365,960	376,014	460,276	84,262
Other				
Miscellaneous	107,000	207,212	174,661	(32,551)
Donations	17,000	29,300	13,895	(15,405)
Total Other	124,000	236,512	188,556	(47,956)
Total Miscellaneous Revenue	489,960	612,526	648,832	36,306
Interest Earnings				
Investments	13,000	15,161	8,892	(6,269)
Total Interest Earnings	13,000	15,161	8,892	(6,269)
TOTAL REVENUES	14,490,766	14,734,947	14,559,798	(175,149)

(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, 2014

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
General Government				
City Council	56,349	53,856	47,853	6,003
City Judge	22,996	23,689	23,645	44
City Manager	134,804	133,104	129,005	4,099
Financial	396,515	399,643	399,561	82
Fleet Maintenance	751,221	703,047	589,735	113,312
Management Information Systems	50,861	52,671	50,219	2,452
Purchasing	48,615	51,920	51,504	416
City Attorney	77,584	77,584	69,696	7,888
Personnel	402,807	409,807	199,115	210,692
Capital Outlay	19,500	28,450	21,327	7,123
Total General Government	1,961,252	1,933,771	1,581,660	352,111
Public Safety				
Police Patrol	3,214,667	3,224,831	3,130,272	94,559
Fire Prevention	1,906,265	1,938,065	1,936,953	1,112
Capital Outlay	138,388	126,199	141,064	(14,865)
Total Public Safety	5,259,320	5,289,095	5,208,289	80,806
Public Works				
Street Maintenance	1,035,764	955,306	934,400	20,906
Parks and Special Events	4,100	4,415	4,412	3
Stormwater	35,920	35,920	10,791	25,129
Engineering	359,230	359,230	276,551	82,679
Capital Outlay	172,486	239,329	233,029	6,300
Total Public Works	1,607,500	1,594,200	1,459,183	135,017
State Street Aid				
Infrastructure/Other	204,000	321,000	313,967	7,033
Electricity	419,278	491,278	471,779	19,499
Total State Street Aid	623,278	812,278	785,746	26,532

(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, 2014

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED)				
Health and Welfare				
Animal Shelter Operations	112,317	121,466	121,269	197
Contributions to Non-Profit Organizations	79,553	72,053	72,053	-
Total Health and Welfare	191,870	193,519	193,322	197
Building Code Enforcement				
Enforcement	340,760	346,047	305,412	40,635
Capital Outlay	46,100	61,252	58,898	2,354
Total Building Code Enforcement	386,860	407,299	364,310	42,989
Community Development				
Administration	161,238	159,434	137,049	22,385
Total Community Development	161,238	159,434	137,049	22,385
Culture and Recreation				
Administration	117,644	118,149	117,223	926
Swimming Pools	74,805	65,682	56,604	9,078
Athletic Fields and Parks	417,705	427,332	380,913	46,419
Recreation Center	140,987	143,249	141,625	1,624
Leagues	118,325	118,385	91,338	27,047
Public Library	465,271	453,667	404,416	49,251
Capital Outlay	199,500	214,922	207,935	6,987
Total Culture and Recreation	1,534,237	1,541,386	1,400,054	141,332
Golf Course	-	121,589	121,589	-
Education	2,502,000	7,507,773	7,339,934	167,839
Airport	145,000	145,000	145,000	-
Special Appropriations to Other Governmental Entities	94,072	94,072	91,572	2,500
Debt Service				
Principal	956,881	956,881	874,485	82,396
Interest	249,096	324,164	302,493	21,671
Paying Agent Fees	1,000	99,290	105,805	(6,515)
Total Debt Service	1,206,977	1,380,335	1,282,783	97,552

(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, 2014

	Budgeted Amounts		Actual Amounts Budgetary and GAAP Basis	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
TOTAL EXPENDITURES	15,673,604	21,179,751	20,110,491	1,069,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,182,838)	(6,444,804)	(5,550,693)	894,111
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	5,069,900	5,450,000	380,100
Premium on Refunding Bonds Issued	-	39,063	40,253	1,190
Payment to Refunded Bond Escrow	-	-	(374,567)	(374,567)
Capital Outlay Note Issued	441,838	441,838	441,838	-
Transfers				
Elizabethton Electric - In-Lieu of Taxes	755,000	755,000	850,126	95,126
General Obligation Bond Proceeds - Capital Project	-	-	(257,909)	(257,909)
Special Capital Projects	-	(143,585)	-	143,585
Parks and Recreation	(14,000)	(14,000)	(14,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,182,838	6,148,216	6,135,741	(12,475)
Net Change in Fund Balances	-	(296,588)	585,048	881,636
Fund Balances, July 1, 2013	7,190,218	7,190,218	7,190,218	-
Fund Balances, June 30, 2014	<u>\$ 7,190,218</u>	<u>6,893,630</u>	<u>7,775,266</u>	<u>881,636</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, 2014

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash on Hand	\$ 1,018,053	16,208,909	634,546	17,861,508
Investments	1,617,792	1,595,691	120,100	3,333,583
Accounts Receivable (Net of Allowances for Uncollectibles)	390,850	6,067,385	51,584	6,509,819
Inventories	564,093	933,539	-	1,497,632
Due from Other Funds	-	75,219	-	75,219
Due from Other Governments	322,590	-	-	322,590
Total Current Assets	3,913,378	24,880,743	806,230	29,600,351
Capital Assets				
Land	596,025	602,694	315,250	1,513,969
Water Right	4,604,167	-	-	4,604,167
Construction In Progress	1,854,292	3,745,990	-	5,600,282
Buildings and Improvements	24,023,164	2,314,160	-	26,337,324
Motor Equipment	5,044,759	4,242,048	1,231,849	10,518,656
Office Equipment	331,842	1,066,548	14,566	1,412,956
Infrastructure	21,415,828	85,495,386	-	106,911,214
Less: Accumulated Depreciation	(28,256,343)	(22,107,046)	(509,721)	(50,873,110)
Total Capital Assets	29,613,734	75,359,780	1,051,944	106,025,458
Other Noncurrent Assets				
Restricted Cash - Customer Deposits	546,500	2,455,564	-	3,002,064
Restricted Cash - Retainages	47,721	66,858	-	114,579
Other Assets	-	1,428,645	-	1,428,645
Total Other Noncurrent Assets	594,221	3,951,067	0	4,545,288
TOTAL ASSETS	34,121,333	104,191,590	1,858,174	140,171,097
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Bond Refunding Costs	49,942	47,678	-	97,620
TOTAL DEFERRED OUTFLOWS OF RESOURCES	49,942	47,678	0	97,620
LIABILITIES				
Current Liabilities				
Accounts Payable	373,354	6,642,660	46,318	7,062,332
Retainages Payable	47,721	57,311	-	105,032
Customer Deposits	546,500	2,455,564	-	3,002,064
Other Current Liabilities	32,336	162,714	-	195,050
Accrued Payroll	4,367	-	-	4,367
Accrued Interest	1,574,604	602,844	1,985	2,179,433
Unearned Revenue	15,256	-	-	15,256
Due to Other Funds	55,339	529	12,211	68,079
Bonds Payable	803,238	1,000,000	-	1,803,238
Notes Payable	77,805	-	74,993	152,798
Capital Leases	25,987	-	-	25,987
Compensated Absences	63,652	127,258	7,197	198,107
Total Current Liabilities	3,620,159	11,048,880	142,704	14,811,743

(Continued)

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	Elizabethton Water and Sewer	Elizabethton Electric	Elizabethton Sanitation	
	Fund	Department	Fund	
LIABILITIES (CONTINUED)				
Noncurrent Liabilities				
Bonds Payable	10,227,634	34,140,728	-	44,368,362
Bond Premium	28,416	-	-	28,416
Notes Payable	485,195	-	197,300	682,495
State Loans Payable	2,675,150	-	-	2,675,150
Advance from TVA	-	1,398,023	-	1,398,023
Compensated Absences	47,988	200,808	1,289	250,085
OPEB Liability	357,456	390,023	61,618	809,097
Total Noncurrent Liabilities	<u>13,821,839</u>	<u>36,129,582</u>	<u>260,207</u>	<u>50,211,628</u>
TOTAL LIABILITIES	<u>17,441,998</u>	<u>47,178,462</u>	<u>402,911</u>	<u>65,023,371</u>
NET POSITION				
Net Investment in Capital Assets	15,340,251	40,266,730	779,651	56,386,632
Unrestricted	<u>1,389,026</u>	<u>16,794,076</u>	<u>675,612</u>	<u>18,858,714</u>
TOTAL NET POSITION	<u>\$ 16,729,277</u>	<u>57,060,806</u>	<u>1,455,263</u>	<u>75,245,346</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, 2014

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for Services	\$ 8,262,960	56,875,926	1,169,996	66,308,882
OPERATING EXPENSES				
Wages and Employee Benefits	2,892,273	-	361,654	3,253,927
Purchases of Power, Water and Other	-	42,174,807	-	42,174,807
Other Operating Expenses	1,454,304	4,430,168	31,393	5,915,865
Maintenance	61,374	2,120,899	144,380	2,326,653
Tax Equivalent	-	608,721	-	608,721
Treatment, Transmissions and Utilities	884,974	-	-	884,974
Landfill	-	-	411,825	411,825
Administrative	792,800	-	84	792,884
Amortization	247,851	-	-	247,851
Depreciation	1,315,030	2,013,885	75,757	3,404,672
TOTAL OPERATING EXPENSES	7,648,606	51,348,480	1,025,093	60,022,179
OPERATING INCOME (LOSS)	614,354	5,527,446	144,903	6,286,703
NONOPERATING REVENUES (EXPENSES)				
Interest Income	3,293	37,067	83	40,443
Interest Expense and Fiscal Charges	(424,070)	(991,195)	(6,345)	(1,421,610)
TOTAL NONOPERATING REVENUES (EXPENSES)	(420,777)	(954,128)	(6,262)	(1,381,167)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	193,577	4,573,318	138,641	4,905,536
TRANSFER TO GENERAL FUND	-	(850,126)	-	(850,126)
CONTRIBUTIONS - CAPITAL GRANT REVENUE	50,110	-	-	50,110
Change in Net Position	243,687	3,723,192	138,641	4,105,520
NET POSITION, JULY 1, 2013	16,485,590	53,337,614	1,316,622	71,139,826
NET POSITION, JUNE 30, 2014	\$ 16,729,277	57,060,806	1,455,263	75,245,346

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, 2014

	Business-Type Activities - Enterprise Funds			
	Elizabethton Water and Sewer Fund	Elizabethton Electric Department	Elizabethton Sanitation Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 8,267,129	53,785,888	1,180,249	63,233,266
Cash Received from City of Elizabethton for Services	-	1,197,355	-	1,197,355
Cash Received from Rentals and Other Sales	-	1,360,922	-	1,360,922
Cash Payments for Tax Equivalent	-	(575,422)	-	(575,422)
Cash Payments for Employee Services and Benefits	(2,832,558)	(22,602)	(348,475)	(3,203,635)
Cash Payments to Suppliers for Goods and Services	(3,086,169)	(48,263,998)	(564,454)	(51,914,621)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	2,348,402	7,482,143	267,320	10,097,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,934,479)	(4,634,009)	-	(6,568,488)
Proceeds from the Sale of Capital Assets	-	-	24,477	24,477
Payments on Capital Lease	(24,609)	-	-	(24,609)
Principal Paid on Bonds Payable	(924,802)	(960,000)	-	(1,884,802)
Principal Paid on Notes Payable	-	-	(73,731)	(73,731)
Interest Paid on Bonds and Notes Payable	(518,377)	(1,019,095)	(5,866)	(1,543,338)
Capital Outlay Note Proceeds	563,000	-	-	563,000
Capital Grant Proceeds	50,110	-	-	50,110
State Loan Proceeds	1,134,509	-	-	1,134,509
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,654,648)	(6,613,104)	(55,120)	(8,322,872)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(4,458)	(850,126)	(5,452)	(860,036)
Transfers from Other Funds	-	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(4,458)	(850,126)	(5,452)	(860,036)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments	-	2,803,111	-	2,803,111
Purchase of Investments	(313,315)	-	(30,082)	(343,397)
Interest on Investments	3,293	40,724	83	44,100
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(310,022)	2,843,835	(29,999)	2,503,814
Net Increase in Cash and Cash on Hand	379,274	2,862,748	176,749	3,418,771
CASH AND CASH ON HAND AT BEGINNING OF YEAR	1,233,000	15,868,583	457,797	17,559,380
CASH AND CASH ON HAND AT END OF YEAR	\$ 1,612,274	18,731,331	634,546	20,978,151

(Continued)

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	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				
OPERATING INCOME (LOSS)	\$ 614,354	5,527,446	144,903	6,286,703
Adjustments				
Depreciation and Amortization	1,562,881	2,130,884	75,757	3,769,522
Provision for Uncollectibles	-	11,842	-	11,842
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivables	4,168	(613,731)	10,253	(599,310)
(Increase) Decrease in Inventories	(55,499)	17,037	-	(38,462)
Increase (Decrease) in Accounts Payable	131,223	172,429	23,228	326,880
Increase (Decrease) in Retainages Payable	14,541	-	-	14,541
Increase (Decrease) in Customer Deposits	13,055	81,970	-	95,025
Increase (Decrease) in Other Current Liabilities	3,963	114,500	-	118,463
Increase (Decrease) in Accrued Payroll	32	-	(48)	(16)
Increase (Decrease) in OPEB Liability	56,926	29,069	11,386	97,381
Increase (Decrease) in Compensated Absences	2,758	10,697	1,841	15,296
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,348,402</u>	<u>7,482,143</u>	<u>267,320</u>	<u>10,097,865</u>
RECONCILIATION OF CASH AND CASH ON HAND TO STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and Cash on Hand	\$ 1,018,053	16,208,909	634,546	17,861,508
Restricted Cash - Customer Deposits	546,500	2,455,564	-	3,002,064
Restricted Cash - Retainages	47,721	66,858	-	114,579
TOTAL CASH AND CASH ON HAND	<u>\$ 1,612,274</u>	<u>18,731,331</u>	<u>634,546</u>	<u>20,978,151</u>

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

CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2014

	Military Family Support Private-Purpose Trust
ADDITIONS	
Interest	\$ 1
TOTAL ADDITIONS	1
DEDUCTIONS	
Benefits to Military Families	2,737
TOTAL DEDUCTIONS	2,737
CHANGE IN NET Position	(2,736)
NET POSITION, JULY 1, 2013	2,736
NET POSITION, JUNE 30, 2014	\$ 0

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Reporting Entity

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

Individual Component Unit Disclosures

In evaluating how to define the government, for financial reporting purposes, the City management has considered all potential component units. A component unit is an organization for which the City is financially accountable, or for which the nature and significance of their relationship with the City is such that exclusion from the City's financial statements would cause them to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria as set forth 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, 2014

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

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, 2014

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, 2014

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, 2014

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 60 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, 2014

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. This fund was closed during fiscal year 2014.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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. For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. The Local Government Investment Pool 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, 2014. 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, 2014, the 2013 calendar year property tax rate was \$1.82 per \$100 of assessed value.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected and reported as revenue during the current 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, 2014

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 and industrial development.

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, 2014

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. \$116,999 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, 2014

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 funds financial statements reflect \$448,192 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 \$397,478 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.

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, 2014

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. Net Position and Fund Balance

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

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

As of June 30, 2014, the City had \$9,610,000 in outstanding debt for capital purposes for the discretely presented Elizabethton Board of Education. The debt is a liability of the City, but the capital assets acquired are reported in the financial statements of the School Board. Therefore, the City has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the City's capital assets.

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

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Net Position and Fund Balance (Continued)

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Elizabethton Water and Sewer Fund and the Elizabethton Electric Department each have 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.

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.

10. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

11. Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform to the presentation the current year financial statements.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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-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 OPEB benefits, bonds payable, notes payable, capital leases and compensated absences.” The details of this \$(13,695,901) difference are as follows:

Bonds Payable	\$ (11,445,000)
Deferred Amount on Issuance Premium	(44,611)
Notes Payable	(625,586)
OPEB Liability	(1,183,226)
Compensated Absences	<u>(397,478)</u>
Net adjustment to reduce <i>fund balance- governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u>(13,695,901)</u>

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

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

One element of that reconciliation states that “repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position”. The details of this \$1,214,485 difference are as follows:

Principal Repayments:	
General Obligation Debt	\$ 1,180,000
Notes Payable	<u>34,485</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ <u>1,214,485</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

**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 \$(29,544) difference are as follows:

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 \$(29,544) difference are as follows:

Compensated absences for the prior year	\$ 367,934
Compensated absences for the current year	<u>(397,478)</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ <u><u>(29,544)</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. For the year ended June 30, 2014, transfers to other funds exceeded appropriations in the General Fund by \$19,198.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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

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

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

The City's carrying amount of deposits was \$22,690,326 and the bank balance was \$22,927,564.

The bank balances are collateralized or insured as follows:

Amount insured by FDIC or collateralized with State of Tennessee Bank Collateral Pool	<u>\$ 22,927,564</u>
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A reconciliation of deposits to the amounts reflected on the Statement of Net Position is as follows:

	<u>Primary Government</u>
Carrying Amount of Deposits	<u>\$ 22,690,326</u>
Amounts per Statement of Net Position:	
Cash and Cash on Hand	\$ 19,573,683
Restricted Assets - Cash	<u>3,116,643</u>
Total per Statement of Net Position	<u>\$ 22,690,326</u>

Investments

The City, including the Electric Department, invest funds in the State of Tennessee's Local Government Investment Pool and bond proceeds with an investment advisor. The City's interest in the Investment Pool is recorded at fair market value and at June 30, 2014, funds were \$8,794,775. The total investment with the investment firm is recorded at fair value and is \$599,994 at June 30, 2014.

	<u>Carrying Amount</u>	<u>Market Value</u>
Local Government Investment Pool	\$ 8,794,775	8,794,775
Bond Fund Investments		
Municipal Securities	<u>599,994</u>	<u>599,994</u>
Total Investments	<u>\$ 9,394,769</u>	<u>9,394,769</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014:

<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Treasury Securities	AAA	<u>\$ 599,994</u>	100%

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Investments	\$ 1,674,287	3,333,583	5,007,870
Restricted Assets - Investments	4,386,899	-	4,386,899
Total	<u>\$ 6,061,186</u>	<u>3,333,583</u>	<u>9,394,769</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:

	<u>General</u>	<u>Water and Sewer</u>	<u>Electric Department</u>	<u>Sanitation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 28,295	429,574	6,207,876	54,519	7,411	6,727,675
Taxes	5,265,323	-	-	-	-	5,265,323
Due from Other Governments	1,190,827	322,590	-	-	-	1,513,417
Gross Receivables	6,484,445	752,164	6,207,876	54,519	7,411	13,506,415
Less: Allowance for Uncollectibles	(21,411)	(38,724)	(140,491)	(2,935)	-	(203,561)
Total Receivables	<u>\$ 6,463,034</u>	<u>713,440</u>	<u>6,067,385</u>	<u>51,584</u>	<u>7,411</u>	<u>13,302,854</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,897,344	-	-	1,897,344
Construction in Progress	674,485	263,854	(589,344)	348,995
Library Infrastructure	736,856	25,696	-	762,552
Total Capital Assets, Not Being Depreciated	3,308,685	289,550	(589,344)	3,008,891
Capital Assets, Being Depreciated:				
Buildings and Improvements	7,191,984	640,319	-	7,832,303
Motor Equipment	4,215,656	404,900	(248,623)	4,371,933
Office Equipment	2,477,727	217,570	(48,626)	2,646,671
Infrastructure	11,040,163	36,104	-	11,076,267
Total Capital Assets, Being Depreciated	24,925,530	1,298,893	(297,249)	25,927,174
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,521,746)	(206,447)	-	(3,728,193)
Motor Equipment	(3,091,505)	(254,021)	248,623	(3,096,903)
Office Equipment	(1,878,173)	(96,868)	48,626	(1,926,415)
Infrastructure	(6,999,930)	(188,968)	-	(7,188,898)
Total Accumulated Depreciation	(15,491,354)	(746,304)	297,249	(15,940,409)
Total Capital Assets, Being Depreciated, Net	9,434,176	552,589	0	9,986,765
Governmental Activities, Capital Assets, Net	\$ 12,742,861	842,139	(589,344)	12,995,656

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<u>Business-Type Activities</u>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,513,969	-	-	-	1,513,969
Water Right	4,854,169	-	(250,002)	-	4,604,167
Construction in Progress	29,652,544	4,994,714	(29,104,017)	57,041	5,600,282
Total Capital Assets, Not Being Depreciated	36,020,682	4,994,714	(29,354,019)	57,041	11,718,418
Capital Assets, Being Depreciated:					
Buildings and Improvements	25,839,032	498,292	-	-	26,337,324
Motor Equipment	9,470,310	2,115,403	(1,067,057)	-	10,518,656
Office Equipment	1,050,912	362,044	-	-	1,412,956
Infrastructure	82,792,046	26,985,027	(2,865,859)	-	106,911,214
Total Capital Assets, Being Depreciated	119,152,300	29,960,766	(3,932,916)	0	145,180,150
Less Accumulated Depreciation For:					
Buildings and Improvements	(11,946,248)	(888,901)	-	-	(12,835,149)
Motor Equipment	(6,255,544)	(270,164)	1,042,654	-	(5,483,054)
Office Equipment	(709,761)	(39,239)	-	-	(749,000)
Infrastructure	(32,763,454)	(2,323,367)	3,280,914	-	(31,805,907)
Total Accumulated Depreciation	(51,675,007)	(3,521,671)	4,323,568	0	(50,873,110)
Total Capital Assets, Being Depreciated, Net	67,477,293	26,439,095	390,652	0	94,307,040
Business-Type Activities, Capital Assets, Net	\$ 103,497,975	31,433,809	(28,963,367)	57,041	106,025,458

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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	\$ 105,016
Public Safety	223,948
Public Works - including general infrastructure assets	296,177
Health and Welfare	936
Culture and Recreation	120,227
Total Depreciation Expense - Governmental Activities	<u>\$ 746,304</u>
Business-Type Activities	
Electric Department	\$ 2,130,884
Water and Sewer	1,315,030
Sanitation	75,757
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,521,671</u>

A total of \$116,999 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>(107,516)</u>
Net Value	<u>\$ 125,124</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - CAPITAL LEASES (CONTINUED)

Primary Government (Continued)

As of June 30, 2014, capital lease annual amortization are as follows:

Fiscal Year Ending June 30	
2015	\$ 27,442
Total Requirements	27,442
Less Interest	<u>(1,455)</u>
Present Value of Remaining Payments	<u>\$ 25,987</u>

Amortization of leased equipment under capital assets is included with depreciation expenses.

NOTE 8 - LONG-TERM DEBT

Advance Refunding

In September 2013, the City issued a \$5,450,000 General Obligation School Refunding and Improvement Bond, Series 2013 with a fixed interest rate ranging from 3.00% to 4.00% through September 2033. Bond issue costs of \$109,913 have been expensed.

A portion of the bond proceeds were used to advance refund, defease, and restructure a portion of the Series 2008 General Obligation School Bonds totaling \$340,000. This portion of the Series 2008 Bonds was scheduled to mature on September 1, 2014 through September 1, 2019, with interest rates ranging from 2.25% to 4.40%. This restructure was part of the planning process to keep the aggregate annual debt service constraint to \$270,000 per year for the Series 2008 Bonds and the new Series 2013. \$340,000 was deposited with the escrow agent to provide funds for the future debt service payment of the portion of the refunded bonds. As a result, this portion of the Series 2008 Bonds are considered to be defeased and the related liability for this portion of the Series 2008 Bonds has been removed from the City's liabilities. The transaction resulted in an economic loss of approximately \$35,000. The balance of the proceeds from the Bond will be for school construction projects.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

During the fiscal year ended June 30, 2014, the following debt transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Debt	\$ 7,175,000	5,450,000	1,180,000	11,445,000	745,000
Add: Deferred Amount on Issuance Premium	7,433	40,253	3,075	44,611	-
OPEB Liability	966,909	216,317	-	1,183,226	-
Compensated Absences	367,934	246,705	217,161	397,478	217,161
Notes Payable	218,233	441,838	34,485	625,586	121,010
	<u>8,735,509</u>	<u>6,395,113</u>	<u>1,434,721</u>	<u>13,695,901</u>	<u>1,083,171</u>
Governmental Activities Long-Term Liabilities					
Business-Type Activities:					
Tax Refunding and Improvement Bonds	11,955,674	-	924,802	11,030,872	803,238
Revenue Bonds	35,740,000	-	960,000	34,780,000	1,000,000
Add: Deferred Amount on Issuance Premium	412,583	-	23,439	389,144	-
Total Bonds	48,108,257	-	1,908,241	46,200,016	1,803,238
Notes Payable	346,024	563,000	73,731	835,293	152,798
Capital Lease	50,596	-	24,609	25,987	25,987
State Loans Payable	1,328,622	1,346,528	-	2,675,150	-
OPEB Liability	711,716	97,381	-	809,097	-
Compensated Absences	432,896	213,403	198,107	448,192	198,107
Business-Type Activities Long-Term Liabilities	<u>50,978,111</u>	<u>2,220,312</u>	<u>2,204,688</u>	<u>50,993,735</u>	<u>2,180,130</u>
Total Changes in Long-Term Debt	<u>\$ 59,713,620</u>	<u>8,615,425</u>	<u>3,639,409</u>	<u>64,689,636</u>	<u>3,263,301</u>

Changes in the Deferred Gain on Bond Refunding for the fiscal year ended June 30, 2014 are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Elizabethton Electric Department	\$ 53,399	-	(5,721)	47,678	(5,721)
Elizabethton Water and Sewer Fund	55,491	-	(5,549)	49,942	(5,549)
	<u>\$ 108,890</u>	<u>0</u>	<u>(11,270)</u>	<u>97,620</u>	<u>(11,270)</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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:

General Fund	Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2014
General Obligation - School Bonds Series 2008	12/16/2008	\$ 6,750,000	2.25-4.40%	9/1/2023	\$ 4,160,000
General Obligation - Series 2010B	3/11/2010	505,000	3.00-3.75%	6/1/2025	415,000
General Obligation - Refunding Bond Series 2012	7/27/2012	2,145,000	.25-1.75%	3/1/2020	1,420,000
General Obligation - School Refunding Bond Series 2013	9/20/2013	5,450,000	3.00-4.00%	9/1/2024	5,450,000
					<u>\$ 11,445,000</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 360,000	158,993	518,993
2016	370,000	146,305	516,305
2017	385,000	132,615	517,615
2018	400,000	117,793	517,793
2019	415,000	101,896	516,896
2020-2024	2,230,000	240,350	2,470,350
	<u>\$ 4,160,000</u>	<u>897,952</u>	<u>5,057,952</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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
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	35,000	9,700	44,700
2020-2024	200,000	30,231	230,231
2025	45,000	1,688	46,688
	<u>\$ 415,000</u>	<u>90,769</u>	<u>505,769</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
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	135,000	3,775	138,775
2020	100,000	1,750	101,750
	<u>\$ 1,420,000</u>	<u>46,419</u>	<u>1,466,419</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Governmental Activity Debt (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ -	200,625	200,625
2016	-	200,625	200,625
2017	-	200,625	200,625
2018	-	200,625	200,625
2019	-	200,625	200,625
2020 - 2024	120,000	998,925	1,118,925
2025 - 2029	2,465,000	784,400	3,249,400
2030 - 2034	2,865,000	294,838	3,159,838
	<u>\$ 5,450,000</u>	<u>3,081,288</u>	<u>8,531,288</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 745,000	386,949	1,131,949
2016	755,000	371,143	1,126,143
2017	660,000	354,215	1,014,215
2018	675,000	335,943	1,010,943
2019	585,000	315,996	900,996
2020 - 2024	2,650,000	1,271,256	3,921,256
2025 - 2029	2,510,000	786,088	3,296,088
2030 - 2034	2,865,000	294,838	3,159,838
	<u>\$ 11,445,000</u>	<u>4,116,428</u>	<u>15,561,428</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014</u>
Capital Outlay Notes	3/15/2012	\$ 252,000	2.10%	3/15/2019	\$ 183,748
Capital Outlay Notes	11/14/2013	441,838	3.50%	11/14/2018	441,838
					<u>\$ 625,586</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>
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>\$ 183,748</u>	<u>11,911</u>	<u>195,659</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 85,790	5,919	91,709
2016	87,061	4,648	91,709
2017	88,349	3,360	91,709
2018	89,656	2,053	91,709
2019	90,982	726	91,708
	<u>\$ 441,838</u>	<u>16,706</u>	<u>458,544</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Governmental Activity Debt (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 121,010	9,831	130,841
2016	123,022	7,819	130,841
2017	125,084	5,757	130,841
2018	127,173	3,668	130,841
2019	129,297	1,542	130,839
	<u>\$ 625,586</u>	<u>28,617</u>	<u>654,203</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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Bonds Payable (Continued)

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

<u>Water and Sewer Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2014</u>
Water and Sewer Revenue and Tax Refunding and Improvement Bonds - Series 2002B	6/12/2002	\$ 5,647,414	4.90-5.61%	6/1/2031	\$ 5,230,872
Water and Sewer General Obligation Improvement Bonds - Series 2010B	4/30/2010	3,540,000	3.00-4.00%	6/1/2030	2,810,000
Water and Sewer General Obligation Improvement Bonds - Series 2010C	12/13/2010	2,460,000	2.00-4.10%	6/1/2030	2,000,000
Water and Sewer General Obligation Refunding Bonds - Series 2012	7/27/2012	2,190,000	0.25%-2.00%	3/1/2023	990,000
<u>Electric Department Fund</u>					
Revenue Refunding Bonds	8/24/2005	3,495,000	3.50-4.15%	9/1/2022	2,320,000
Revenue Bonds	12/20/2007	15,000,000	4.00-5.00%	12/27/2027	12,140,000
Revenue Bonds	4/20/2010	20,585,000	1.75-6.25%	9/1/2035	20,320,000
					<u>\$ 45,810,872</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>
2015	\$ 458,238	416,763	875,001
2016	430,045	444,955	875,000
2017	405,755	469,245	875,000
2018	382,462	492,538	875,000
2019	358,969	516,031	875,000
2020-2024	1,560,212	3,024,788	4,585,000
2025-2029	1,272,370	3,752,630	5,025,000
2030-2031	362,821	1,382,179	1,745,000
	<u>\$ 5,230,872</u>	<u>10,499,129</u>	<u>15,730,001</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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
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	135,000	87,744	222,744
2020-2024	780,000	366,825	1,146,825
2025-2029	1,175,000	199,624	1,374,624
2030	280,000	11,200	291,200
	<u>\$ 2,810,000</u>	<u>1,050,869</u>	<u>3,860,869</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
2015	\$ 145,000	69,709	214,709
2016	140,000	65,359	205,359
2017	135,000	61,159	196,159
2018	135,000	57,109	192,109
2019	130,000	53,058	183,058
2020-2024	625,000	204,569	829,569
2025-2029	575,000	92,785	667,785
2030	115,000	4,715	119,715
	<u>\$ 2,000,000</u>	<u>608,463</u>	<u>2,608,463</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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
2015	\$ 105,000	14,081	119,081
2016	110,000	13,425	123,425
2017	110,000	12,737	122,737
2018	110,000	11,637	121,637
2019	110,000	10,263	120,263
2020-2023	445,000	21,513	466,513
	\$ 990,000	83,656	1,073,656

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	255,000	51,785	306,785
2020-2023	1,145,000	96,223	1,241,223
	\$ 2,320,000	449,116	2,769,116

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	770,000	388,700	1,158,700
2020-2024	4,355,000	1,436,925	5,791,925
2025-2028	4,245,000	392,963	4,637,963
	<u>\$ 12,140,000</u>	<u>4,094,088</u>	<u>16,234,088</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	155,000	1,156,694	1,311,694
2020-2024	1,160,000	5,661,891	6,821,891
2025-2029	3,920,000	5,087,216	9,007,216
2030-2034	9,940,000	2,976,269	12,916,269
2035-2036	4,560,000	287,812	4,847,812
	<u>\$ 20,320,000</u>	<u>19,854,207</u>	<u>40,174,207</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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	\$ 1,803,238	2,387,592	4,190,830
2015	1,830,045	2,361,759	4,191,804
2016	1,855,755	2,329,346	4,185,101
2017	1,892,462	2,296,429	4,188,891
2018	1,913,969	2,264,275	4,178,244
2019-2023	10,070,212	10,812,733	20,882,945
2024-2028	11,187,370	9,525,219	20,712,589
2029-2033	10,697,821	4,374,363	15,072,184
2034-2036	4,560,000	287,812	4,847,812
	<u>\$ 45,810,872</u>	<u>36,639,528</u>	<u>82,450,400</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 \$6,826,361 through the term of the bonds.

Notes Payable

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

Water and Sewer Fund	Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2014
Capital Outlay Note	9/5/2013	\$ 263,000	1.48%	8/23/2018	\$ 263,000
Capital Outlay Note	9/5/2013	300,000	2.48%	8/23/2023	300,000
 Sanitation Fund					
Capital Outlay Note	3/22/2012	167,500	1.99%	3/22/2017	102,473
Capital Outlay Note	2/26/2013	210,717	1.49%	2/26/2018	169,820
					<u>\$ 835,293</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 51,045	3,496	54,541
2016	51,811	3,181	54,992
2017	52,582	2,410	54,992
2018	53,377	1,614	54,991
2019	54,185	813	54,998
	<u>\$ 263,000</u>	<u>11,514</u>	<u>274,514</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 26,760	7,543	34,303
2016	27,433	6,870	34,303
2017	28,106	6,198	34,304
2018	28,829	5,474	34,303
2019	29,554	4,749	34,303
2020-2024	159,318	12,227	171,545
	<u>\$ 300,000</u>	<u>43,061</u>	<u>343,061</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 33,487	2,039	35,526
2016	34,153	1,373	35,526
2017	34,833	693	35,526
	<u>\$ 102,473</u>	<u>4,105</u>	<u>106,578</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 169,820</u>	<u>6,467</u>	<u>176,287</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 152,798	15,643	168,441
2016	155,525	13,368	168,893
2017	158,291	10,603	168,894
2018	125,622	7,744	133,366
2019	83,739	5,562	89,301
2020-2024	159,318	12,227	171,545
	<u>\$ 835,293</u>	<u>65,147</u>	<u>900,440</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activity Debt (Continued)

State Loans Payable

The City currently has three 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 three projects are: SRF 2011-272 with a balance of \$1,819,920, DWO-2011-112 with a balance of \$726,006 and SRF Drinking Water DGI 12-120 Eastside with a balance of \$129,224. Total State Loans Payable as of June 30, 2014 totals \$2,675,150.

NOTE 9 - FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances:			
Non-Spendable:			
Inventories	\$ 16,249	-	16,249
Prepaid Expense	2,813	-	2,813
Bolling Trust	-	25,000	25,000
Total - Non-Spendable	<u>19,062</u>	<u>25,000</u>	<u>44,062</u>
Restricted for:			
Library Donation	43,874	-	43,874
Carter County Animal Shelter	5,257	-	5,257
Police Community Relations	-	2,670	2,670
Department of Justice	-	68,512	68,512
Police Drug Enforcement Fund	-	81,342	81,342
Fundraiser	-	2,253	2,253
Veteran's Walk of Honor Phase II	-	91,532	91,532
Bolling Trust	-	5,408	5,408
Total - Restricted	<u>49,131</u>	<u>251,717</u>	<u>300,848</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)

	General Fund	Nonmajor Governmental Funds	Total
Committed to:			
City Schools	605,760	-	605,760
OPEB LGIP	1,552,519	-	1,552,519
Debt Service	2,026,924	-	2,026,924
Special Capital Projects	-	50,745	50,745
Debt Issue	-	24,066	24,066
Police Technology Fee	-	58,844	58,844
Total - Committed	<u>4,185,203</u>	<u>133,655</u>	<u>4,318,858</u>
Assigned to:			
Police	1,126	-	1,126
Christmas Tree	180	-	180
Sidewalk	11,774	-	11,774
Industrial Development	8,188	-	8,188
Library	30,000	-	30,000
Elk Avenue Bridge Repair	100,000	-	100,000
Capital Outlay Note 3-2013	188,251	-	188,251
Downtown Canopy	51,046	-	51,046
Ice House Roof	100,000	-	100,000
Mixed Drink - County	92,604	-	92,604
Mixed Drink - City	35,845	-	35,845
Linear Path Phase V	10,500	201,797	212,297
Joe O'Brien Field	-	3,230	3,230
Total - Assigned	<u>629,514</u>	<u>205,027</u>	<u>834,541</u>
Unassigned	<u>2,892,356</u>	-	<u>2,892,356</u>
Total Fund Balances	<u>\$ 7,775,266</u>	<u>615,399</u>	<u>8,390,665</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables, payables and transfers at June 30, 2014 were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Water and Sewer	\$ 16,345	Reimbursement for Charges
General	Sanitation	12,211	Reimbursement for Charges
Electric Department	General	36,225	Utilities
Electric Department	Water and Sewer	38,994	Utilities
General	Police Drug Enforcement	1,590	Reimbursement for Charges
Police Drug Enforcement	General	1,024	Reimbursement
General	Electric Department	529	Reimbursement for Charges
Total		<u>\$ 106,918</u>	

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

Transfer In	Transfer Out	Amount
Park and Recreation Capital Projects	General	\$ 14,000
General Obligation Bond Proceeds	General	257,909
General	Electric Department	<u>850,126</u>
Total		<u>\$ 1,122,035</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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 15th 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 non-contributory 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, 2014 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, 2014

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

City of Elizabethton (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2014, the City's annual pension cost of \$1,180,454 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, 2014	\$1,180,454	100.00%	\$ 0
June 30, 2013	1,155,662	100.00%	0
June 30, 2012	1,096,411	100.00%	0

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 78.10% funded. The actuarial accrued liability for benefits was \$24.57 million, and the actuarial value of assets was \$19.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.38 million. The covered payroll (annual payroll of active employees covered by the plan) \$7.78 million, and the ratio of the UAAL to the covered payroll was 69.16%.

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, 2014

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, 2013	\$ 19,189	24,572	5,383	78.09%	7,782	69.17%
July 1, 2011	17,664	23,052	5,388	76.63%	7,508	71.76%
July 1, 2009	14,995	21,311	6,316	70.36%	6,989	90.37%

Elizabethton Electric Department

On October 1, 2005, the Electric Department (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, 2013 and 2012 were \$904,255 and \$778,398. The recommended contribution was \$935,450 and \$880,074 for the plan years October 1, 2013 and 2012, 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, 2013 and 2012 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, 2013. The total plan liability for the 2013 plan year was \$16,674,266 and the actuarial value of assets was \$9,522,218 leaving an unfunded liability of \$7,152,048 and a funded ratio of 57.11%.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Elizabethton Electric Department (Continued)

As of October 1, 2013, the pension benefit obligation is \$16,674,266 and was \$16,361,523 as of October 1, 2012.

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

The 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 with the Tennessee Consolidated Retirement System.

Other Post-Employment Benefits (OPEB)

Plan Types

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

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

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Plan Types (Continued)

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

The amount of the retirement bonus is equal to \$2,500 for early retirement. This benefit is paid in the form of single sum payment upon retirement. An additional retirement gift of \$25 per year of service is paid at the time of retirement to any employee retiring with a full service, early or disability retirement. Benefits are currently funded on a pay-as-you-go basis. For the purposes of reporting, the liability for such benefits are included in the OPEB 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	(86,502)	(13,320)
Annual OPEB Cost (Expense)	477,891	154,067
Contribution Made (assumed end of year)	193,262	124,998
Increase in Net OPEB Obligation	284,629	29,069
Net OPEB Obligation - Beginning of Year	1,317,671	360,954
Net OPEB Obligation - End of Year	<u>\$ 1,602,300</u>	<u>390,023</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (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 2014, 2013 and 2012 are as follows:

	Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
City	6/30/2014	\$ 477,891	40%	\$ 1,602,300
City	6/30/2013	477,891	40%	1,317,671
City	6/30/2012	484,538	48%	1,033,043
Electric Department	6/30/2014	154,067	81%	390,023
Electric Department	6/30/2013	154,067	81%	360,954
Electric Department	6/30/2012	180,899	67%	331,885

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, 2014

NOTE 11 - RETIREMENT COMMITMENTS (CONTINUED)

Other Post-Employment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

The valuation date is July 1, 2012 and year one represents the period of July 1, 2013 to June 30, 2014. 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, 2014, 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 a company that was discovered uncovered at that site. This has the potential of exposure to the City of approximately \$500,000 and the City is presently negotiating with TDEC to postpone the issuance of any Commissioner's Orders on the site until after the end of the fiscal year (e.g. after June 30, 2006).

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 - RISK MANAGEMENT

The City is a member of the Tennessee Municipal League Risk Management Pool (TML Pool). Coverage for the City includes workers compensation, general liability, property and casualty, public employee dishonesty, errors and omissions, and employer's liability. The TML Pool is a non-profit, risk-sharing organization of Tennessee municipalities and local public agencies. The Tennessee Statute governing the formation of pooling and risk-sharing arrangements dictates that the 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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 2,428,171	106,080	-	2,534,251
Construction in Progress	2,500	889,074	(189,286)	702,288
Total Capital Assets, Not Being Depreciated	2,430,671	995,154	(189,286)	3,236,539
Capital Assets, Being Depreciated:				
Land Improvement	2,103,028	-	(12,349)	2,090,679
Hangars and Terminal Building	2,681,267	83,205	(12,639)	2,751,833
Major Moveable Equipment	431,741	1,260	(54,769)	378,232
Total Capital Assets, Being Depreciated	5,216,036	84,465	(79,757)	5,220,744
Less Accumulated Depreciation For:				
Land Improvements	(962,907)	(45,122)	12,349	(995,680)
Hangars and Terminal Building	(826,652)	(87,807)	12,639	(901,820)
Major Moveable Equipment	(380,059)	(11,793)	54,769	(337,083)
Total Accumulated Depreciation	(2,169,618)	(144,722)	79,757	(2,234,583)
Total Capital Assets, Being Depreciated, Net	3,046,418	(60,257)	0	2,986,161
Total Capital assets, Net	\$ 5,477,089	934,897	(189,286)	6,222,700

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Municipal Airport (Continued)

Notes Payable

During the fiscal year ended June 30, 2014, the following debt transactions occurred for the Airport:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Simulator Loan	\$ 15,246	-	15,246	-	-
Expansion Loan	495,500	-	100,000	395,500	100,000
Compensated Absences	19,355	-	2,742	16,613	4,115
	<u>\$ 530,101</u>	<u>0</u>	<u>117,988</u>	<u>412,113</u>	<u>104,115</u>

The interest rates on the Airport debt are variable for the simulator loan and fixed for the expansion loan. The estimated debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 395,500</u>	<u>13,137</u>	<u>408,637</u>

Retirement Commitments

During the fiscal year ended June 30, 2014, the Airport management was covered through the Tennessee Consolidated Retirement System. Total employer contributions during the fiscal year were \$17,065. 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, 2014

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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	356,852	353,667	(563,378)	147,141
Total Capital Assets, Not Being Depreciated	573,022	353,667	(563,378)	363,311
Capital Assets, Being Depreciated				
Buildings and Improvements	22,956,431	740,267	-	23,696,698
Motor Equipment	1,597,168	387,018	(42,786)	1,941,400
Total Capital Assets, Being Depreciated	24,553,599	1,127,285	(42,786)	25,638,098
Less Accumulated Depreciation For:				
Buildings and Improvements	(9,609,559)	(458,311)	-	(10,067,870)
Motor Equipment	(811,098)	(101,918)	40,647	(872,369)
Total Accumulated Depreciation	(10,420,657)	(560,229)	40,647	(10,940,239)
Total Capital Assets, Being Depreciated, Net	14,132,942	567,056	(2,139)	14,697,859
Total Capital Assets, Net	\$ 14,705,964	920,723	(565,517)	15,061,170

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Long-Term Liabilities

During the fiscal year ended June 30, 2014, 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	\$ 47,635	12,550	1,882	58,303	15,498
OPEB Liability	2,589,397	767,576	424,555	2,932,418	-
Governmental Activities					
Long-Term Liabilities	\$ 2,637,032	780,126	426,437	2,990,721	15,498

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, 2014

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, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at 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, 2014 was 8.29% 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, 2014, Elizabethton City Schools' annual pension cost of \$186,419 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, 2014

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments (Continued)

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, 2014	\$ 186,419	100%	\$ 0
June 30, 2013	181,843	100%	0
June 30, 2012	210,392	100%	0

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.97% percent funded. The actuarial accrued liability (AAL) for benefits was \$8.25 million, and the actuarial value of assets was \$7.42 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.83 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.13 million, and the ratio of the UAAL to the covered payroll was 38.84% 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 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, 2013	\$ 7,419	8,246	827	89.97%	2,128	38.84%
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%

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at 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, 2014 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, 2014, 2013 and 2012 were \$929,227, \$883,768, and \$856,125, respectively, equal to the required contributions for each year.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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) 8-27-201 (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>.

Special Funding Situation

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

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.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Board of Education (Continued)

Retirement Commitments (Continued)

Funding Policy (Continued)

The schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2014 are as follows:

Monthly Premiums – Retiree:

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

Monthly Premiums – Active:

PPO \$540 (single coverage)

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

	07/01/2013 - 06/30/2014
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 664,000
2. Interest on net OPEB Obligation	103,576
3. Adjustment to ARC	<u>(100,908)</u>
4. Annual OPEB Cost (Expense) (1+2+3)	666,668
5. Contribution made (assumed end of year)*	<u>323,647</u>
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	343,021
7. Net OPEB Obligation - beginning of year	<u>2,589,397</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u><u>\$ 2,932,418</u></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
6/30/2014	Teacher & Local Government	\$ 666,668	51.5%	\$ 2,932,418
6/30/2013	Teacher & Local Government	803,733	44.3%	2,589,397
6/30/2012	Teacher & Local Government	798,031	17.7%	2,141,527

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2013, was as follows:

Actuarial Valuation Date	July 1, 2013
Actuarial Accrued Liability (AAL)	\$ 5,642,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	5,642,000
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	13,978,807
UAAL as a Percentage of Covered Payroll	40%

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 Other Post-Employment 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, 2013 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent. The rate decreased to 7 percent in fiscal year 2015, and then will be reduced by decrements to an ultimate rate of 4.7 percent in fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

Total on-behalf payments were \$114,711.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 72,334	-	-	72,334
Motor Equipment	778,680	9,996	-	788,676
Office Equipment	13,442	-	-	13,442
Infrastructure	1,424,926	-	-	1,424,926
Total Capital Assets, Being Depreciated	2,289,382	9,996	0	2,299,378
Less Accumulated Depreciation For:				
Buildings and Improvements	(62,540)	(1,837)	-	(64,377)
Motor Equipment	(610,916)	(47,529)	-	(658,445)
Office Equipment	(13,442)	-	-	(13,442)
Infrastructure	(957,233)	(27,541)	-	(984,774)
Total Accumulated Depreciation	(1,644,131)	(76,907)	0	(1,721,038)
Total Capital Assets, Being Depreciated, Net	\$ 645,251	(66,911)	0	578,340

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 2014, 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	\$192,383
Less: Accumulated Depreciation	(73,830)
	<u>\$ 118,553</u>

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

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Elizabethton Municipal Golf Course (Continued)

Capital Leases (Continued)

Capital lease obligations at June 30, 2014, and changes for the fiscal year then ended are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease - Turf Equipment	\$ 612	-	612	-	-
Capital Lease - Progator	-	9,996	1,331	8,665	1,805
Capital Lease - John Deere	96,058	-	24,641	71,417	25,217
Capital Lease - Toro Groundmaster	51,277	-	9,779	41,498	10,168
Total Capital Lease Obligations	<u>\$ 147,947</u>	<u>9,996</u>	<u>36,363</u>	<u>121,580</u>	<u>37,190</u>

The following presents future minimum lease payments as of June 30, 2014, included the following:

Fiscal Year Ending June 30	
2015	\$ 42,733
2016	37,053
2017	30,281
2018	21,873
2019	599
Less: Interest	(10,959)
Present Value of Minimum Lease Payments	<u>\$ 121,580</u>

Notes Payable

During the fiscal year ended June 30, 2014, the following debt transactions occurred:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Note Payable - Primary Government	\$ 121,589	-	121,589	-	-
	<u>\$ 121,589</u>	<u>0</u>	<u>121,589</u>	<u>0</u>	<u>0</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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. With an interest rate of 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 the maturity until 2016.

During 2008, the Golf Course and the City agreed to another revision. The notes and bonds were combined into one obligation, and the interest on both the bond and note was forgiven. The maturity was extended to 2016. During the current fiscal year, the City of Elizabethton's 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 matured March 1, 2014. A new agreement has not been entered into as of the year ended June 30, 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2015	\$ 15,608
	<u>\$ 15,608</u>

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

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. The current year amortization totals \$250,002.

The Electric Department has active construction projects as of June 30, 2014 for substations and transmission lines. At year end, the Electric Department's commitments for the projects total approximately \$590,457. The Water and Sewer Fund has active construction projects as of June 30, 2014 for infrastructure improvements. At year end, the Water and Sewer Fund's commitments for the projects total approximately \$1,549,825.

CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 17 - CONCENTRATION

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

CITY OF ELIZABETHTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2014

City of Elizabethton

(\$ 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, 2013	\$ 19,189	24,572	5,383	78.09%	7,782	69.17%
July 1, 2011	17,664	23,052	5,388	76.63%	7,508	71.76%
July 1, 2009	14,995	21,311	6,316	70.36%	6,989	90.37%

Elizabethton Board of Education

(\$ 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, 2013	\$ 7,419	8,246	827	89.97%	2,128	38.84%
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%

Elizabethton Electric Department

(\$ 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)
October 1, 2013	\$ 9,522	16,674	7,152	57.11%	1,767	405%
October 1, 2012	8,933	16,362	7,429	54.60%	1,797	413%
October 1, 2011	9,045	15,925	6,880	56.80%	1,828	376%

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, 2014

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, 2013	\$ -	\$ 5,642,000	\$ 5,642,000	0.00%	\$ 13,978,807	40.36%
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%

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	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
ASSETS						
Cash and Cash on Hand	\$ 112,477	2,670	53,439	374,993	-	543,579
Investments	49,517	-	-	-	30,408	79,925
Accounts Receivable	-	-	7,411	-	-	7,411
Due from Other Funds	1,024	-	-	-	-	1,024
TOTAL ASSETS	\$ 163,018	2,670	60,850	374,993	30,408	631,939
LIABILITIES						
Accounts Payable	\$ 89	-	2,006	1,370	-	3,465
Other Liabilities	11,485	-	-	-	-	11,485
Due to Other Funds	1,590	-	-	-	-	1,590
TOTAL LIABILITIES	13,164	0	2,006	1,370	0	16,540
FUND BALANCES						
Non-Spendable:						
Bolling Trust	-	-	-	-	25,000	25,000
Restricted for:						
Police Community Relations	-	2,670	-	-	-	2,670
Department of Justice	68,512	-	-	-	-	68,512
Police Drug Enforcement Fund	81,342	-	-	-	-	81,342
Fundraiser	-	-	-	2,253	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	91,532	-	91,532
Bolling Trust	-	-	-	-	5,408	5,408
Committed to:						
Special Capital Projects	-	-	-	50,745	-	50,745
Debt Issue	-	-	-	24,066	-	24,066
Police Technology Fee	-	-	58,844	-	-	58,844
Assigned:						
Linear Path Phase V	-	-	-	201,797	-	201,797
Joe O'Brien Field	-	-	-	3,230	-	3,230
TOTAL FUND BALANCES	149,854	2,670	58,844	373,623	30,408	615,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 163,018	2,670	60,850	374,993	30,408	631,939

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
June 30, 2014

	Capital Project Funds					
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Fund	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	Total Nonmajor Capital Project Funds
ASSETS						
Cash and Cash on Hand	\$ 202,637	5,483	50,745	24,596	91,532	374,993
TOTAL ASSETS	<u>\$ 202,637</u>	<u>5,483</u>	<u>50,745</u>	<u>24,596</u>	<u>91,532</u>	<u>374,993</u>
LIABILITIES						
Accounts Payable	<u>\$ 840</u>	<u>-</u>	<u>-</u>	<u>530</u>	<u>-</u>	<u>1,370</u>
TOTAL LIABILITIES	<u>840</u>	<u>0</u>	<u>0</u>	<u>530</u>	<u>0</u>	<u>1,370</u>
FUND BALANCES						
Restricted For:						
Fundraiser	-	2,253	-	-	-	2,253
Veteran's Walk of Honor Phase II	-	-	-	-	91,532	91,532
Committed to:						
Special Capital Projects	-	-	50,745	-	-	50,745
Debt Issue	-	-	-	24,066	-	24,066
Assigned to:						
Linear Path Phase V	201,797	-	-	-	-	201,797
Joe O'Brien Field	<u>-</u>	<u>3,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,230</u>
TOTAL FUND BALANCES	<u>201,797</u>	<u>5,483</u>	<u>50,745</u>	<u>24,066</u>	<u>91,532</u>	<u>373,623</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 202,637</u>	<u>5,483</u>	<u>50,745</u>	<u>24,596</u>	<u>91,532</u>	<u>374,993</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, 2014

	Special Revenue Funds				Permanent Fund E. Bolling Memorial Trust Fund	Total Nonmajor Governmental Funds
	Police Drug Enforcement Fund	Police Community Relations Fund	Police Equipment Fund	Total Capital Project Funds		
REVENUES						
Intergovernmental	\$ -	-	7,719	-	-	7,719
Donations	-	1,475	-	4,135	-	5,610
Fines and Forfeitures	94,360	-	118,186	-	-	212,546
Miscellaneous	9	-	-	-	-	9
Interest Earnings	45	3	112	384	27	571
TOTAL REVENUES	94,414	1,478	126,017	4,519	27	226,455
EXPENDITURES						
General Government	6,605	-	-	-	-	6,605
Public Safety	18,811	736	110,395	-	-	129,942
Other Operating Expenditures	-	-	-	6,746	-	6,746
Capital Outlay	-	-	72,991	263,855	-	336,846
TOTAL EXPENDITURES	25,416	736	183,386	270,601	0	480,139
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,998	742	(57,369)	(266,082)	27	(253,684)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	271,909	-	271,909
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	271,909	0	271,909
Net Change in Fund Balances	68,998	742	(57,369)	5,827	27	18,225
FUND BALANCES, JULY 1, 2013	80,856	1,928	116,213	367,796	30,381	597,174
FUND BALANCES, JUNE 30, 2014	\$ 149,854	2,670	58,844	373,623	30,408	615,399

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, 2014

	Capital Project Funds					
	Park and Recreation Capital Projects Fund	Joe O'Brien Field Fund	Special Capital Projects Funds	General Obligation Bond Proceeds Fund	Veteran's Walk of Honor Phase II Fund	Total Nonmajor Capital Projects Funds
REVENUES						
Donations	\$ -	-	-	-	4,135	4,135
Interest Earnings	204	-	53	26	101	384
TOTAL REVENUES	204	0	53	26	4,236	4,519
EXPENDITURES						
Other Operating Expenditures	-	-	-	-	6,746	6,746
Capital Outlay	5,416	-	-	258,439	-	263,855
TOTAL EXPENDITURES	5,416	0	0	258,439	6,746	270,601
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,212)	-	53	(258,413)	(2,510)	(266,082)
OTHER FINANCING SOURCES (USES)						
Transfers In	14,000	-	-	257,909	-	271,909
TOTAL OTHER FINANCING SOURCES (USES)	14,000	0	0	257,909	0	271,909
Net Change in Fund Balances	8,788	-	53	(504)	(2,510)	5,827
FUND BALANCES, JULY 1, 2013	193,009	5,483	50,692	24,570	94,042	367,796
FUND BALANCES, JUNE 30, 2014	\$ 201,797	5,483	50,745	24,066	91,532	373,623

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Task Force	\$ 6,000	6,000	49,675	43,675
Interest Earnings	400	400	45	(355)
Drug Fines - Courts	15,000	15,000	15,739	739
Fines and Forfeitures	1,000	1,000	28,946	27,946
Insurance Proceeds	-	-	9	9
TOTAL REVENUES	22,400	22,400	94,414	72,014
EXPENDITURES				
General Government	420	420	6,605	(6,185)
Salaries and Benefits	9,244	9,244	-	9,244
Insurance	900	900	-	900
Vehicle Maintenance and Fuel	13,270	13,270	16,305	(3,035)
Police Grants	8,500	8,500	2,506	5,994
TOTAL EXPENDITURES	32,334	32,334	25,416	6,918
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,934)	(9,934)	68,998	78,932
FUND BALANCE, JULY 1, 2013	80,856	80,856	80,856	-
FUND BALANCE, JUNE 30, 2014	\$ 70,922	70,922	149,854	78,932

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Donations	\$ 1,000	1,000	1,475	475
Interest Earnings	-	-	3	3
TOTAL REVENUES	1,000	1,000	1,478	478
EXPENDITURES				
Public Safety	1,000	1,000	736	264
TOTAL EXPENDITURES	1,000	1,000	736	264
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	742	742
FUND BALANCE, JULY 1, 2013	1,928	1,928	1,928	-
FUND BALANCE, JUNE 30, 2014	\$ 1,928	1,928	2,670	742

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Court Fines	\$ 5,865	5,865	6,420	555
Intergovernmental	-	-	7,719	7,719
Fines and Forfeitures	94,135	106,135	111,766	5,631
Interest Earnings	296	296	112	(184)
TOTAL REVENUES	100,296	112,296	126,017	13,721
EXPENDITURES				
Public Safety	84,262	126,262	110,395	15,867
Capital Outlay	86,000	86,000	72,991	13,009
TOTAL EXPENDITURES	170,262	212,262	183,386	28,876
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,966)	(99,966)	(57,369)	42,597
FUND BALANCE, JULY 1, 2013	116,213	116,213	116,213	-
FUND BALANCE, JUNE 30, 2014	\$ 46,247	16,247	58,844	42,597

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 362,035	362,035	-	(362,035)
Interest Earnings	-	-	204	204
TOTAL REVENUES	362,035	362,035	204	(361,831)
EXPENDITURES				
Capital Outlay	559,584	559,584	5,416	554,168
TOTAL EXPENDITURES	559,584	559,584	5,416	554,168
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,549)	(197,549)	(5,212)	192,337
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	14,000	14,000	14,000	-
TOTAL OTHER FINANCING SOURCES (USES)	14,000	14,000	14,000	0
Net Change in Fund Balance	(183,549)	(183,549)	8,788	192,337
FUND BALANCE, JULY 1, 2013	193,009	193,009	193,009	-
FUND BALANCE, JUNE 30, 2014	\$ 9,460	9,460	201,797	192,337

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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Earnings	\$ 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, 2013	5,483	5,483	5,483	-
FUND BALANCE, JUNE 30, 2014	\$ 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, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Earnings	\$ -	-	53	53
TOTAL REVENUES	0	0	53	53
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	53	53
FUND BALANCE, JULY 1, 2013	50,692	50,692	50,692	-
FUND BALANCE, JUNE 30, 2014	\$ 50,692	50,692	50,745	53

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, 2014**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Interest Earnings	\$ -	-	26	26
TOTAL REVENUES	0	0	26	26
EXPENDITURES				
Capital Outlay	539,600	539,600	258,439	281,161
TOTAL EXPENDITURES	539,600	539,600	258,439	281,161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(539,600)	(539,600)	(258,413)	281,187
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	257,909	257,909
TOTAL OTHER FINANCING SOURCES (USES)	0	0	257,909	257,909
Net Change in Fund Balance	(539,600)	(539,600)	(504)	539,096
FUND BALANCE, JULY 1, 2013	24,570	24,570	24,570	-
FUND BALANCE, JUNE 30, 2014	<u>\$ (515,030)</u>	<u>(515,030)</u>	<u>24,066</u>	<u>539,096</u>

See Independent Auditors' Report.

**CITY OF ELIZABETHTON, TENNESSEE
VETERAN'S WALK OF HONOR PHASE II FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Donations	\$ -	-	4,135	4,135
Interest Earnings	-	-	101	101
TOTAL REVENUES	0	0	4,236	4,236
EXPENDITURES				
Supplies and Materials	44,838	44,838	-	44,838
Other Operating Expenses	10,000	10,000	6,746	3,254
TOTAL EXPENDITURES	54,838	54,838	6,746	48,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(54,838)	(54,838)	(2,510)	52,328
FUND BALANCE, JULY 1, 2013	94,042	94,042	94,042	-
FUND BALANCE, JUNE 30, 2014	\$ 39,204	39,204	91,532	52,328

See Independent Auditors' Report.

**SUPPLEMENTAL
SECTION**

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

CFDA Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2013	Cash Receipts	Expenditures	Balance June 30, 2014
PRIMARY GOVERNMENT						
16.000	Appalachian High Intensity Drug Trafficking Area	U.S. Department of Justice	\$ -	6,050	8,006	(1,956) *
Pass-Through State of Tennessee						
Department of State, TN State Library and Archives						
45.310	TN State Library and Archives / LSTA Technology Grant	Institute of Museum and Library Services	-	1,750	1,750	-
Department of State, TN State Library and Archives						
89.003	TN State Library and Archives / SNAP Grant	National Historical Publications and Records Commission	-	2,087	2,400	(313) *
State and National Archival Partnership Grant / SNAP Grant						
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			(12,074)	21,961	12,156	(2,269)
SPECIAL REVENUE FUND						
16.607	Bullet Proof Vest Grant	U.S. Department of Justice	(4,778)	5,085	2,726	(2,419) *
Pass-Through State of Tennessee Department of Transportation						
20.607	Governor's Highway Safety Office - High Visibility Z14GHS113; 154AL-14-168	U.S. Department of Transportation	-	-	4,993	(4,993) *
Total Special Revenue Fund			(4,778)	5,085	7,719	(7,412)
WATER AND SEWER FUND						
Pass-Through State of Tennessee						
State Revolving Loan Fund						
66.468	Capitalization Grants for Clean Water SRF Funds FS 984272, DWO Project 2011-112	Environmental Protection Agency	(2,762)	49,339	46,577	-
State Revolving Loan Fund						
66.468	Capitalization Grants for Clean Water SRF Funds FS 984272, DWO Project 2011-112: Loan Forgiveness	Environmental Protection Agency	-	32,639	32,639	-
State Revolving Loan Fund						
66.468	Project No. DG1 2012-120 Green, Replacement of Waterlines in Eastside Community Wastewater Treatment Plant and Collection System Improvements. FS 984272: Loan Forgiveness	Environmental Protection Agency	-	10,789	10,789	-
State Revolving Loan Fund						
66.468	Project No. DG1 2012-120 Green, Replacement of Waterlines in Eastside Community Wastewater Treatment Plant and Collection System Improvements. FS 984272	Environmental Protection Agency	-	18,192	70,822	(52,630) *
Total Water and Sewer Fund			(2,762)	110,959	160,827	(52,630)
Total Primary Government			\$ (19,614)	138,005	180,702	(62,311)

* Receivable

** Unused Revenue

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2014

State Grant Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2013	Cash Receipts	Expenditures	Balance June 30, 2014
PRIMARY GOVERNMENT						
GENERAL FUND						
CMA 1474						
Project 10951-4266-04	Highway Maintenance	TN Department of Transportation	\$ -	62,953	64,710	(1,757) *
Total General Fund			0	62,953	64,710	(1,757)
WATER AND SEWER FUND						
Project DWO 11-112 FS 984272, DWO Project :	State Revolving Loan Fund	TN Department of Environment and Conservation	-	110,707	110,707	-
Project DWO 11-112 FS 984272, DWO Project 2011-112	Loan Forgiveness	TN Department of Environment and Conservation	-	6,682	6,682	-
Project SRF 11-272	State Revolving Loan Fund	TN Department of Environment and Conservation	-	842,459	1,060,020	(217,561) *
Project DG1 2012-120	State Revolving Loan Fund	TN Department of Environment and Conservation	-	6,984	27,188	(20,204) *
Total Water and Sewer Fund			0	966,832	1,204,597	(237,765)
Total Primary Government			\$ 0	1,029,785	1,269,307	(239,522)
* Receivable			** Unused Revenue			

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Elizabethton, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – LOANS OUTSTANDING

At June 30, 2014, the City of Elizabethton had outstanding loans obtained through the State Revolving Loan Fund. The loans are funded by federal and state sources. Loan proceeds (state funds) of \$1,060,020, which includes \$217,561 in receivable was received for SRF-11-272 (CFDA 66.458). This loan has an outstanding balance of \$1,819,920. DWO 11-112 has an outstanding loan balance of \$726,006 and total to date principal forgiveness of \$181,501. State proceeds of \$110,707 and federal proceeds of \$46,577 were received during the year for DWO 11-112. DG1 2012-120 has a reconciled, for fiscal year-end pay requests and receivable, outstanding loan balance of \$129,224. State proceeds of \$27,188 and federal proceeds of \$70,822 were received during the year for DG1 2012-120. Principal payments have not begun on these loan programs as of June 30, 2014.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
June 30, 2014

From Fund	To Fund	Purpose	Amount
<u>Operating Transfers Among Funds</u>			
General	Park and Recreation Capital Projects	To provide for operations	\$ 14,000
General	General Obligation Bond Proceeds	Transfer funds for Animal Shelter Project	257,909
Elizabethton Electric Department	General	In-Lieu of Taxes	850,126
Total Transfers			<u>\$ 1,122,035</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF CHANGES IN GENERAL BONDED DEBT AND NOTES PAYABLE -
PRIMARY GOVERNMENT
June 30, 2014

	Balance July 1, 2013	General Obligation Debt Additions	General Obligation Debt Retired	Balance June 30, 2014
<u>General Bonded Debt</u>				
General Fund:				
General Obligation - Series 2010B	\$ 445,000	-	30,000	415,000
General Obligation - School Bonds Series 2008	4,950,000	-	790,000	4,160,000
General Obligation - Series 2012	1,780,000	-	360,000	1,420,000
General Obligation - School Improvement and Refunding Bonds Series 2013	-	5,450,000	-	5,450,000
	<u>-</u>	<u>5,450,000</u>	<u>-</u>	<u>5,450,000</u>
Total General Bonded Debt	<u>\$ 7,175,000</u>	<u>5,450,000</u>	<u>1,180,000</u>	<u>11,445,000</u>
<u>Notes Payable</u>				
General Fund:				
Capital Outlay Note - 2012	\$ 218,233	-	34,485	183,748
Capital Outlay Note - 2013	-	441,838	-	441,838
	<u>-</u>	<u>441,838</u>	<u>-</u>	<u>441,838</u>
Total Notes Payable	<u>\$ 218,233</u>	<u>441,838</u>	<u>34,485</u>	<u>625,586</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2014

<u>Fiscal Year Ending</u>	<u>Bond Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2015	\$ 2,548,238	2,774,541	5,322,779
6/30/2016	2,585,045	2,732,902	5,317,947
6/30/2017	2,515,755	2,683,561	5,199,316
6/30/2018	2,567,462	2,632,372	5,199,834
6/30/2019	2,498,969	2,580,271	5,079,240
6/30/2020	2,522,050	2,523,610	5,045,660
6/30/2021	2,481,680	2,461,776	4,943,456
6/30/2022	2,542,841	2,394,084	4,936,925
6/30/2023	2,566,116	2,374,018	4,940,134
6/30/2024	2,607,525	2,330,501	4,938,026
6/30/2025	2,684,526	2,247,271	4,931,797
6/30/2026	2,628,687	2,160,316	4,789,003
6/30/2027	2,708,682	2,069,751	4,778,433
6/30/2028	2,794,471	1,972,835	4,767,306
6/30/2029	2,881,004	1,861,134	4,742,138
6/30/2030	2,978,844	1,734,895	4,713,739
6/30/2031	2,608,977	1,390,100	3,999,077
6/30/2032	2,555,000	662,212	3,217,212
6/30/2033	2,655,000	517,562	3,172,562
6/30/2034	2,765,000	364,432	3,129,432
6/30/2035	2,235,000	215,157	2,450,157
6/30/2036	2,325,000	72,655	2,397,655
	<u>\$ 57,255,872</u>	<u>40,755,956</u>	<u>98,011,828</u>

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2014

<u>Fiscal Year Ending</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Requirements</u>
6/30/2015	\$ 273,808	25,474	299,282
6/30/2016	278,547	21,187	299,734
6/30/2017	283,375	16,360	299,735
6/30/2018	252,795	11,412	264,207
6/30/2019	213,036	7,104	220,140
6/30/2020	30,297	4,006	34,303
6/30/2021	31,050	3,253	34,303
6/30/2022	31,840	2,463	34,303
6/30/2023	32,640	1,663	34,303
6/30/2024	33,491	842	34,333
	<u>\$ 1,460,879</u>	<u>93,764</u>	<u>1,554,643</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 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	10,490,459
Restricted	-	-	-	-	-	-	-	-	-	300,848
Unrestricted	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	(2,809,266)
Total Governmental Activities Net Position	<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>	<u>7,982,041</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 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	56,386,632
Restricted	12,072	927	-	-	-	-	-	-	-	-
Unrestricted	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	18,858,714
Total Business-Type Activities Net Position	<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>	<u>75,245,346</u>
Primary Government										
Net Investment in Capital Assets	\$ 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	66,877,091
Restricted	12,072	927	-	-	-	-	-	-	-	300,848
Unrestricted	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	16,049,448
Total Primary Government Net Position	<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>	<u>83,227,387</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES										
Governmental Activities										
General Government	\$ 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	905,738
Public Safety	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	5,572,648
Public Works	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	2,334,992
Health and Welfare	128,225	128,009	133,507	143,386	147,151	147,272	164,820	154,745	187,911	194,258
Building Code Enforcement	252,559	245,923	236,687	267,685	279,931	297,039	300,851	296,729	312,324	305,412
Community Development	128,953	97,378	128,559	150,503	135,716	190,682	189,330	157,973	135,732	137,049
Culture and Recreation	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	1,474,866
Education	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	7,339,934
Airport	-	-	-	-	-	-	-	-	145,000	145,000
Other	782,368	597,845	1,110,518	511,202	575,514	396,513	319,608	753,496	135,227	98,318
Interest on Long-Term Debt	126,176	100,446	124,408	120,050	228,870	336,470	303,926	290,917	271,676	504,701
Total Governmental Activities	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	19,012,916
Business-Type Activities										
Water and Sewer	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	8,072,676
Electric Department	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	52,339,675
Sanitation	576,956	686,323	737,428	1,101,139	1,110,919	963,492	1,050,289	2,087,820	958,488	1,031,438
Total Business-Type Activities	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	61,443,789
Total Expenses	\$ 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	80,456,705
PROGRAM REVENUES										
Governmental Activities										
Charges for Services	\$ 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	1,282,487
Operating Grants and Contributions	77,139	137,993	180,494	634,089	315,366	60,871	47,830	25,707	43,669	13,616
Capital Grants and Contributions	255,533	334,270	464,532	60,697	93,220	66,147	34,858	289,944	4,778	7,719
Total Governmental Activities	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	1,303,822
Business-Type Activities										
Charges for Services	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	66,308,882
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	50,110
Total Business-Type Activities	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	66,358,992
Total Program Revenues	\$ 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	67,662,814

(Continued)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NET (EXPENSE) REVENUE										
Governmental Activities	\$ (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)	(17,709,094)
Business-Type Activities	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	4,915,203
Total Net (Expense) Revenue	\$ (7,847,650)	(7,462,186)	(8,744,743)	(9,183,626)	(10,490,772)	(15,779,108)	(11,524,931)	(7,126,123)	(6,105,033)	(12,793,891)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities										
Taxes										
Property Taxes	\$ 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	4,856,278
Sales Taxes	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	4,281,604
In-Lieu of Taxes	47,644	29,861	26,124	36,733	29,903	27,805	29,333	27,741	16,534	18,759
Business Taxes	217,419	251,306	240,944	250,850	259,183	150,884	298,423	385,646	282,820	353,049
Other Taxes	-	-	-	-	462,971	477,250	480,090	502,388	494,547	515,398
Other Local Governments	160,733	166,627	108,421	93,987	67,687	65,246	322,381	152,092	49,049	44,981
State Aid	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	1,976,468
Federal Aid	343,080	492,029	418,930	414,820	-	-	-	-	-	-
Unrestricted Investment Earnings	111,512	241,330	258,024	232,933	149,530	74,730	25,810	8,426	7,625	9,463
Miscellaneous	42,056	56,370	24,893	35,582	519,837	683,002	408,839	408,657	455,716	648,841
Special Item - Donations of Assets	-	-	-	-	14,482	-	-	-	-	-
Loss on Disposal of Capital Assets	-	-	(95,016)	-	-	-	-	-	-	-
Contributions not Restricted to Specific Programs	747,906	-	-	-	-	-	-	-	-	-
Transfers	651,408	652,642	286,823	367,314	349,788	546,496	471,286	(434,732)	752,416	850,126
Total Governmental Activities	10,851,475	11,000,478	11,036,190	11,270,268	12,225,807	12,065,191	12,125,812	11,711,503	12,973,751	13,554,967
Business-Type Activities										
Unrestricted Investment Earnings	161,073	285,842	540,614	601,753	493,865	115,361	50,415	70,957	43,168	40,443
Miscellaneous	-	1,159	4,879	-	-	-	-	-	-	-
Transfers	(651,408)	(652,642)	(286,823)	(367,314)	(349,788)	(546,496)	(471,286)	434,732	(752,416)	(850,126)
Total Business-Type Activities	(490,335)	(365,641)	258,670	234,439	144,077	(431,135)	(420,871)	505,689	(709,248)	(809,683)
Total Primary Government	\$ 10,361,140	10,634,837	11,294,860	11,504,707	12,369,884	11,634,056	11,704,941	12,217,192	12,264,503	12,745,284
CHANGE IN NET POSITION										
Governmental Activities	\$ 341,649	521,005	(449,119)	427,597	392,220	(4,576,146)	(2,274,873)	(164,719)	646,072	(4,154,127)
Business-Type Activities	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	4,105,520
Total Change in Net Position	\$ 2,513,490	3,172,651	2,550,117	2,321,081	1,879,112	(4,145,052)	180,010	5,091,069	6,159,470	(48,607)

See Independent Auditors' Report.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-Spendable	\$ -	-	-	-	-	-	187,398	161,312	148,751	19,062
Restricted	-	-	-	-	-	-	330,378	395,853	313,632	49,131
Committed	-	-	-	-	-	-	1,629,890	4,265,560	3,918,887	4,185,203
Assigned	-	-	-	-	-	-	381,351	211,446	210,365	629,514
Unassigned	-	-	-	-	-	-	4,132,802	2,107,524	2,598,583	2,892,356
Designated	4,000,273	4,178,565	4,085,787	3,651,625	11,171,656	7,289,320	-	-	-	-
Unreserved	2,363,630	1,951,297	1,646,915	2,201,376	1,741,002	1,536,347	-	-	-	-
Total General Fund	<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>	<u>7,775,266</u>
All Other Governmental Funds										
Non-Spendable	\$ -	-	-	-	-	-	25,000	25,000	25,000	25,000
Restricted	-	-	-	-	-	-	327,278	185,427	184,460	251,717
Committed	-	-	-	-	-	-	397,264	337,122	191,475	133,655
Assigned	-	-	-	-	-	-	235	3,230	196,239	205,027
Unreserved, Reported in:										
Special Revenue Funds	15,509	201,206	128,398	199,524	374,442	400,433	-	-	-	-
Capital Projects Funds	309,109	494,150	974,305	916,396	915,604	767,017	-	-	-	-
Permanent Fund	25,939	27,011	28,465	29,652	30,133	30,240	-	-	-	-
Total All Other Governmental Funds	<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>	<u>615,399</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	\$ 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	10,009,980
Licenses and Permits	75,465	93,181	97,991	95,095	130,030	96,781	84,244	96,193	204,503	212,619
Intergovernmental	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	2,037,174
Charges for Services	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	1,430,175
Donations	23,210	176,801	140,796	141,807	14,482	34,473	32,830	12,477	12,825	5,610
Grant Income	253,920	348,354	702,489	134,028	367,524	66,147	34,858	-	-	-
Fines and Forfeitures	229,768	314,885	273,425	260,435	444,687	320,351	329,206	359,570	397,149	432,391
Miscellaneous	503,053	642,254	552,244	487,078	519,837	694,911	441,088	445,973	455,716	648,841
Interest Earnings	111,514	241,377	301,217	233,457	149,530	74,730	25,810	8,426	7,625	9,463
TOTAL REVENUES	11,996,816	13,351,922	14,107,171	14,408,102	15,214,302	14,495,964	14,535,201	14,692,568	14,447,697	14,786,253
EXPENDITURES										
General Government	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	1,566,938
Public Safety	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	5,197,167
Public Works	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	2,011,900
Health and Welfare	127,125	125,157	132,641	142,785	145,815	146,388	163,984	153,858	187,027	193,322
Building Code Enforcement	252,127	245,905	236,743	268,427	278,497	297,039	300,851	296,729	312,324	305,412
Community Development	128,737	97,354	128,608	151,174	134,677	190,682	189,330	157,973	135,732	137,049
Education	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	7,339,934
Airport	-	-	-	-	-	-	-	-	145,000	145,000
Golf Course	-	-	-	-	-	-	-	-	-	121,589
Culture and Recreation	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	1,192,119
Special Appropriations	280,657	225,432	197,632	285,114	202,146	202,146	198,330	187,080	107,170	91,572
Capital Outlay	2,088,323	690,096	1,128,103	281,060	110,588	1,540,221	265,081	880,923	649,898	999,099
Debt Service:										
Principal	589,166	599,167	679,542	717,844	736,583	785,489	769,570	803,834	2,987,570	874,485
Interest	123,041	105,453	127,822	117,289	141,732	329,227	346,423	320,354	244,168	302,493
Paying Agent Fees	3,136	1,487	-	1,383	133,485	3,539	690	3,140	39,930	105,805
Lease Payments	-	-	-	-	-	51,215	-	-	-	-
Other Operating Expenditures	501,712	411,724	912,888	232,927	373,368	194,367	121,278	566,416	28,057	6,746
TOTAL EXPENDITURES	14,778,832	13,904,145	15,632,353	14,640,713	15,079,826	21,100,976	17,618,248	15,097,470	17,258,690	20,590,630
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(2,782,016)	(552,223)	(1,525,182)	(232,611)	134,476	(6,605,012)	(3,083,047)	(404,902)	(2,810,993)	(5,804,377)
OTHER FINANCING SOURCES (USES)										
Capital Outlay Note Proceeds	-	-	1,250,000	-	-	1,200,000	-	252,000	-	441,838
Bond Proceeds	-	-	-	-	6,750,000	505,000	-	-	2,153,495	5,450,000
Capital Lease	-	-	-	-	-	144,036	-	-	-	-
Premium on Refunding Bonds Issued	-	-	-	-	-	-	-	-	-	40,253
Payment to Refunded Bond Escrow	-	-	-	-	-	-	-	-	-	(374,567)
Transfers In	1,012,413	1,334,342	1,364,173	929,314	943,288	1,417,455	971,269	995,246	1,214,321	1,122,035
Transfers Out	(361,005)	(644,350)	(1,077,350)	(562,000)	(593,500)	(870,959)	(499,983)	(561,466)	(461,905)	(271,909)
TOTAL OTHER FINANCING SOURCES (USES)	651,408	689,992	1,536,823	367,314	7,099,788	2,395,532	471,286	685,780	2,905,911	6,407,650
Net Change in Fund Balances	\$ (2,130,608)	137,769	11,641	134,703	7,234,264	(4,209,480)	(2,611,761)	280,878	94,918	603,273
Debt Service as a Percentage of										
Noncapital Expenditures	5.61%	5.33%	5.57%	5.82%	5.87%	5.70%	6.43%	7.91%	19.46%	6.01%

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
JUNE 30, 2014

Tax Year	Property Tax Receivable at June 30, 2013	Property Tax Levied	Anticipated Current Year Levy	Collections	Abatements and Adjustments	Property Tax Receivable at June 30, 2014
2014	\$ -	-	4,828,116	-	-	4,828,116
2013	-	4,605,834	-	(4,475,074)	138,856	269,616
2012	183,378	-	-	(137,375)	(1,945)	44,058
2011	56,392	-	-	(25,308)	(508)	30,576
2010	39,063	-	-	(16,823)	(20)	22,220
2009	24,614	-	-	(4,896)	-	19,718
2008	18,835	-	-	(4,273)	-	14,562
2007	19,080	-	-	(2,159)	-	16,921
2006	12,489	-	-	(1,441)	(299)	10,749
2005	6,147	-	-	(628)	(1,142)	4,377
2004	6,491	-	-	(43)	(2,186)	4,262
2003	13,021	-	-	(43)	(12,830)	148
2002	1,720	-	-	-	(1,720)	-
2001	1,760	-	-	-	(1,760)	-
2000	3,707	-	-	-	(3,707)	-
1999	2,988	-	-	-	(2,988)	-
1998	4,701	-	-	-	(4,701)	-
Total	<u>\$ 394,386</u>	<u>4,605,834</u>	<u>4,828,116</u>	<u>(4,668,063)</u>	<u>105,050</u>	<u>5,265,323</u>

As of October 1, 2014, all of the above delinquent taxes have been filed by the City Attorney with the Carter County Chancery Court.

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
PROPERTY TAX RATE AND ASSESSMENTS
Last Ten Fiscal Years

Tax Year	Total		Ratio of Assessed To Actual Value	Tax Rate
	Assessed	Estimated Value		
2013	\$ 260,290,014	857,151,926	30%	1.82
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

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2014

	Fiscal Year 2014
Total Assessed Property	<u>\$ 260,290,014</u>
Legal Debt Limit - 10% of Assessed Value	26,029,001
General Obligation Debt	<u>(11,445,000)</u>
Margin for Additional Borrowing	<u>\$ 14,584,001</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Bonded Debt	\$ 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	11,445,000
Assessed Valuation	\$ 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	260,290,014
Ratio of General Bonded Debt to Assessed Value	1.46%	1.09%	0.57%	0.32%	3.21%	3.14%	2.92%	2.31%	2.83%	4.40%
Bonded Debt per Capita Based on Census	\$ 14,017	14,017	14,017	14,017	14,017	14,176	14,176	14,176	14,176	14,176
Bonded Debt per Capita	\$ 155	122	87	49	492	480	448	414	506	807

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund	\$ 2.30	2.30	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.82
<u>Assessed Valuation</u>										
Real and Personal	\$ 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	260,290,014
Public Utility	119,592	94,182	88,765	87,665	87,665	87,035	93,880	94,246	92,218	89,881
Total Assessed Valuation	\$ 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	260,379,895

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
UTILITY RATES FOR WATER AND SEWER, NUMBER OF CUSTOMERS
For the Fiscal Year Ended June 30, 2014

	<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 \$ 7.95	Minimum 14.84
Above 1,000 to 500,000 gallons	3.36	6.42
Above 500,000 to 1,000,000 gallons	2.57	4.43
Above 1,000,000 gallons	2.47	4.15
<u>Wholesale Rates for Water for Utility Districts</u>		
First 100,000 gallons or less		Minimum 463.00
Above 100,000 gallons		4.70/m
<u>Sewer Rates for Residential, Industrial and Commercial</u>		
Base Rate	12.06	15.97
Cost per 1,000 gallons up to 9,000 gallons	2.85	5.34
Cost per 1,000 gallons over 9,000 gallons	2.85	3.88
<u>Number of Customers</u>		
Water (Inside and Outside)	11,480	
Sewer (Inside and Outside)	5,572	

See Independent Auditors' Report.

AWWA WLCC Free Water Audit Software: Reporting Worksheet				Back to
Copyright © 2010, American Water Works Association. All Rights Reserved. WAS v4.2				
?	Click to access definition	Water Audit Report for: City of Elizabethton Reporting Year: 2014 7/2013 - 6/2014		
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				
All volumes to be entered as: MILLION GALLONS (US) PER YEAR				
<div style="display: flex; justify-content: space-between;"> <div> WATER SUPPLIED Volume from own sources: 8 1,604.036 Million gallons (US)/yr (MG/Yr) Master meter error adjustment (enter positive value): 3 MG/Yr Water imported: 8 107.757 MG/Yr Water exported: n/a MG/Yr <hr/> WATER SUPPLIED: 1,711.793 MG/Yr </div> <div style="font-size: x-small;"> << Enter grading in column 'E' </div> </div>				
<div style="display: flex; justify-content: space-between;"> <div> AUTHORIZED CONSUMPTION Billed metered: 7 713.691 MG/Yr Billed unmetered: n/a MG/Yr Unbilled metered: 9 11.552 MG/Yr Unbilled unmetered: 5 21.397 MG/Yr <hr/> AUTHORIZED CONSUMPTION: 746.640 MG/Yr </div> <div style="font-size: x-small;"> Click here: ? for help using option buttons below Pcnt: 1.25% Value: Use buttons to select percentage of water supplied OR value </div> </div>				
<div style="display: flex; justify-content: space-between;"> <div> WATER LOSSES (Water Supplied - Authorized Consumption) 965.153 MG/Yr Apparent Losses Unauthorized consumption: 5 4.279 MG/Yr Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed Customer metering inaccuracies: 6 30.218 MG/Yr Systematic data handling errors: 5 0.000 MG/Yr <div style="border: 1px solid red; padding: 2px; font-size: x-small; color: red;">Systematic data handling errors are likely, please enter a non-zero value; otherwise grade = 5</div> Apparent Losses: 34.498 MG/Yr <hr/> Real Losses (Current Annual Real Losses or CARL) Real Losses = Water Losses - Apparent Losses: 930.655 MG/Yr <hr/> WATER LOSSES: 965.153 MG/Yr </div> <div style="font-size: x-small;"> Pcnt: 0.25% Value: Choose this option to enter a percentage of billed metered consumption. This is NOT a default value </div> </div>				
<div style="display: flex; justify-content: space-between;"> <div> NON-REVENUE WATER NON-REVENUE WATER: 998.102 MG/Yr = Total Water Loss + Unbilled Metered + Unbilled Unmetered </div> </div>				
SYSTEM DATA Length of mains: 4 330.0 miles Number of active AND inactive service connections: 8 11,546 Connection density: 35 conn./mile main 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				
COST DATA Total annual cost of operating water system: 10 \$5,064,394 \$/Year Customer retail unit cost (applied to Apparent Losses): 9 \$5.50 \$/1000 gallons (US) Variable production cost (applied to Real Losses): 9 \$676.73 \$/Million gallons				
PERFORMANCE INDICATORS Financial Indicators Non-revenue water as percent by volume of Water Supplied: 58.3% Non-revenue water as percent by cost of operating system: 16.6% Annual cost of Apparent Losses: \$189,739 Annual cost of Real Losses: \$629,802 Operational Efficiency Indicators Apparent Losses per service connection per day: 8.19 gallons/connection/day Real Losses per service connection per day*: 220.83 gallons/connection/day Real Losses per length of main per day*: N/A Real Losses per service connection per day per psi pressure: 2.21 gallons/connection/day/psi Unavoidable Annual Real Losses (UARL): 128.38 million gallons/year From Above, Real Losses = Current Annual Real Losses (CARL): 930.65 million gallons/year Infrastructure Leakage Index (ILI) [CARL/UARL]: 7.25 * only the most applicable of these two indicators will be calculated				
WATER AUDIT DATA VALIDITY SCORE: <div style="border: 1px solid black; padding: 5px; text-align: center; font-weight: bold; color: red; font-size: small;">*** 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> PRIORITY AREAS FOR ATTENTION: Based on the information provided, audit accuracy can be improved by addressing the following components: <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="border: 1px solid red; padding: 2px; width: 40%;">1: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px; width: 40%;">2: Billed metered</div> <div style="border: 1px solid red; padding: 2px; width: 40%;">3: Customer metering inaccuracies</div> </div> <div style="text-align: center; margin-top: 10px;"> For more information, click here to see the Grading Matrix worksheet </div>				

See Independent Auditors' Report.

CITY OF ELIZABETHTON, TENNESSEE
CURRENT UTILITY RATES AND NUMBER OF CUSTOMERS
June 30, 2014

<u>Residential Rate Schedule</u>	<u>RS</u>
Customer Charge -	
per delivery point per month	\$13.29
Energy Charge - per kWh per month	\$0.10044
<u>General Power Rate Schedule</u>	<u>GSA</u>
	(Demand 0- 5,000 kW)
<i>Part 1.</i>	
Customer Charge	
Per delivery point per month	\$14.46
Energy Charge - per kWh per month	\$0.10936
Per kWh up to 620 hours per month	
Per kWh all additional per month	
Demand Charge - per kW per month	
Excess of billing demand over	
contract demand - per kW per month	
<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	\$12.70
Energy charge - per kWh per month	
First 15,000 kWh	\$0.10916
Additional kWh per month	\$0.06798
<i>Part 3.</i>	
Customer Charge	
Per delivery point per month	\$150.00
Demand Charge - per kW per month	
First 1,000 kW	\$13.37
Excess over 1,000 kW	\$14.71
Excess of higher of 2,500 kW or	
contract demand	\$0.00
Energy Charge - per kWh per month	
First 15,000 kWh	\$0.06796
Additional kWh	\$0.06796
<u>Outdoor Lighting Rate Schedule</u>	<u>LS</u>
Customer Charges	
Per delivery point per month	\$3.70
Energy Charge - per kWh	\$0.07112
<u>Number of Customers</u>	
Residential	22,896
General	3,121
Street, Athletic and Outdoor Lighting	44
Total Customers	<u>26,061</u>

See Independent Auditors' Report.

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elizabethton, Tennessee (the City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2014. Our report includes a reference to other auditors who audited the financial statements of the Elizabethton Municipal Airport, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency: 2014-001.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-001.

City of Elizabethton, Tennessee's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 *Government 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

December 5, 2014

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

Finding Number		Finding Title		Status
2013-001		Significant Deficiency -City - Purchasing Procedures		Corrected
2013-002		Significant Deficiency - Elizabethton Electric - Storage and Safety of Accounting Records		Corrected
2012-001		Material Weakness - Elizabethton Electric - Work Orders		Corrected

CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS

CURRENT YEAR FINDINGS

2014-001: Significant Deficiency: Elizabethton Electric – Work Orders

Condition: During our review of work orders closed during the fiscal year, it was noted that work orders from before 2011 did not consistently have the following supporting documentation: work order forms were not always approved by the Department’s general manager, and lack of an estimated or an actual listing of materials prepared by the engineer submitted to purchasing could not be located. It was also noted that two closed work orders that were began previous to 2011 were for work performed at City Hall and Hatcher Lane that should not have been documented as major work orders.

Criteria: Proper approval and documentation of all aspects of the work orders should be maintained to ensure that proper internal controls over the work order process are in place. Also, general repairs or improvements to the Department’s facilities should not be entered as work orders.

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

Recommendation: We recommend that all work order documentation be completed in full detail and work orders be reviewed and properly approved. Repairs and improvements to the Department’s facilities should be expensed as incurred and not capitalized through a work order.

Management’s Response: Management agrees with the finding. The City of Elizabethton Electric Department moving forward will make sure all work orders will include the appropriate supporting documentation and signature of approval from the Department’s general manager. We will also follow the appropriate procedure that the engineering department will forward estimated or actual material lists to the purchasing department. The two work orders that were prior to 2011 were in fact documented as major work orders and they were actually replacement windows and a new parking lot. In the future strict attention will be paid as to the closing of work orders and how they are classified.