

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON,
TENNESSEE)

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2015

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
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SECTION I
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Director of Schools
and School Board Members
Elizabethton City Schools
Elizabethton, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Elizabethton City Schools' 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Johnson City	801B Sunset Drive, Johnson City, TN 37604	423.282.4511
Kingsport	1361 South Wilcox Drive, Kingsport, TN 37660	423.246.1725
Greeneville	550 Tusculum Boulevard, Greeneville, TN 37745	423.638.8516

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America, and the respective budgetary comparison for each fund.

Change in Accounting Principle

As described in Note 4 to the financial statements, in 2015, the Elizabethton City Schools adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios based on participation in the public employee pension plan of TCRS – agency plan, schedule of contributions based on participation in the public employee pension plan of TCRS – agency plan, schedule of proportionate share of net pension asset teacher legacy pension plan of TCRS, schedule of contributions teacher legacy pension plan of TCRS, schedule of contributions teacher retirement plan of TCRS, and schedule of funding progress of post-retirement benefits other than pensions on pages 4-9 and page 60-66 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 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 inquires 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 Elizabethton City Schools' basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Elizabethton City Schools' 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 Elizabethton City Schools' internal control over financial reporting and compliance.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 17, 2015

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

This section of the Elizabethton Board of Education's (the Board's) annual financial report presents the discussion and analysis of the Board's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

Financial Highlights

The financial status of the Board changed significantly during the year due to the increase in capital assets with the continuing construction of a Music Room and Stadium on the Elizabethton High School campus. The Board's Net Position decreased by 18.3% of which \$4,271,203 of the decrease was related to implementation of GASB 68 and 71.

- The total General Purpose fund balance decreased by \$3,199,673 (due to the spending of reserved Capital Funds), and the total School Nutrition fund increased by \$7,169.
- Concrete drainage and curbing and the Athletic Fields at T.A. Dugger Junior High was completed.
- One 66-passenger school bus was purchased.
- A new Drivers' Education car was purchased.
- One hydraulic lift for the Maintenance Department was purchased.
- One server for the Technology Department was purchased.
- The construction of a new Music Room and Stadium at Elizabethton High School was in progress.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school system:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school system, reporting the system's operations in more detail than the government-wide statements.

Government-Wide Statements

The government-wide statements report information about the school system as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The two government-wide statements report the Board's net position and how they have changed. Net position, the difference between the Board's assets, deferred outflows and liabilities and deferred inflows are one way to measure the Board's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Board's overall health, additional nonfinancial factors such as changes in enrollment and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the Board's activities are reported as Governmental Activities. The Board has no business-type activities.

Governmental Activities: Includes the Board's basic services, such as regular and special education, transportation, child nutrition, and administration.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds, not the school system as a whole. Funds are accounting devices the school system uses to keep track of specific resources of funding and spending on particular programs.

- **Governmental funds:** All of the school system's services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in or out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the school system's programs.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Financial Analysis of the Board as a Whole

Condensed Statement of Net Position

	<u>Governmental Activities</u>		Total % Change <u>2014-2015</u>
	<u>2014</u>	<u>2015</u>	
Current and Other Assets	10,122,528	7,875,364	-22.2%
Capital Assets	15,061,170	18,358,733	21.9%
Net Pension Asset - Cost Sharing Plan	-	43,322	100.0%
Total Assets	<u>25,183,698</u>	<u>26,277,419</u>	4.3%
Deferred Outflows of Resources	-	1,386,822	100.0%
Current Liabilities	847,070	1,660,407	96.0%
Long-Term Liabilities	2,990,721	3,606,633	20.6%
Total Liabilities	<u>3,837,791</u>	<u>5,267,040</u>	37.2%
Deferred Inflows of Resources	2,877,738	7,313,148	154.1%
Net Investment in Capital Assets	15,061,170	18,358,733	21.9%
Restricted	5,139,859	1,741,841	-66.1%
Unrestricted	(1,732,860)	(5,016,521)	189.5%
Total Net Position	<u><u>18,468,169</u></u>	<u><u>15,084,053</u></u>	-18.3%

Net Position

The Board's Current and Other Assets decreased by 22.2% during the 2014-2015 fiscal year. This decrease is due to bond proceeds received from the City of Elizabethton in 2013-2014 for the construction of a new Music Room and Stadium at Elizabethton High School.

The Board's financial position is the product of many factors. The most significant factor is the capital asset expenditures drawing down the bond proceeds received in 2013-2014. Construction in Progress included the expenditures for improvements to Elizabethton High School campus. The capital outlay additions included the concrete drainage and sidewalks at T.A. Dugger Junior High School; one new school bus; a drivers' education car for Elizabethton High School; purchase of a new server for the Technology Department; and, the purchase of a hydraulic lift for the Maintenance Department.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Changes in Net Position from Operating Results

	<u>Governmental Activities</u>		<u>Total % Change 2014-2015</u>
	<u>2014</u>	<u>2015</u>	
Revenues			
Program Revenues			
Charges for Services	613,225	565,009	-7.9%
Operating Grants	5,660,341	5,287,209	-6.6%
Capital Grants and Contributions	5,017,959	-	100.0%
General Revenues			
Property Taxes	2,770,362	3,102,613	12.0%
Other Taxes	1,936,104	2,067,136	6.8%
State Revenues	11,587,117	11,889,215	2.6%
Other	96,774	271,936	181.0%
Total Revenues	<u>27,681,882</u>	<u>23,183,118</u>	-16.3%
Expenses			
Instruction	13,391,327	12,662,819	-5.4%
Support Services	8,316,435	8,085,424	-2.8%
Food Service	970,143	925,523	-4.6%
Community Services	213,335	270,109	26.6%
Early Childhood Education	406,600	406,977	0.1%
Total Expenses	<u>23,297,840</u>	<u>22,350,852</u>	-4.1%
Increase (Decrease) in Net Position	4,384,042	832,266	
Beginning Net Position	<u>14,084,127</u>	<u>18,468,169</u>	
Prior Period Adjustments and Restatement	-	(4,216,382)	
Beginning Net Position - Restated	<u>14,084,127</u>	<u>14,251,787</u>	
Ending Net Position	<u><u>18,468,169</u></u>	<u><u>15,084,053</u></u>	

The total cost of all programs and services declined 4.1% to \$22.4 million. The Board's expenses are predominately related to instruction of K-12 students and support services for educators (92.8% of total costs). The operation of community service programs accounted for 7.2% of the expenditures.

Governmental Activities

Revenues for the Board's governmental activities decreased by 16.3%, and total expenses decreased by 4.1%. The decrease is due to the receipt of bond proceeds during the 2013-2014 school year from the City of Elizabethton for the improvements to the high school campus. These projects had begun at the end of fiscal year 2015, but were not complete. The beginning Net Position was restated due to the requirements of GASB 68 for the reporting and disclosure of Pension Liability. The Net Position of the Board decreased by \$3,384,116 or 18.3%, of which \$4,271,203 of the change was related to the restatement for implementation of GASB 68 and 71.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Financial Analysis of the Board's Funds

The financial performance of the Board as a whole is reflected in its governmental funds as well. As the Board completed the year, its governmental funds reported combined fund balances of \$3,169,354, which were less than last year's ending fund balances of \$6,361,858. This decrease is due to expenditures from restricted funds received from the City of Elizabethton in 2013-2014 for improvements to the high school campus.

The Board's governmental funds experienced revenues and other sources more than expenditures in 2015 as follows:

General Purpose	\$ (3,254,494)
Child Nutrition	\$ 7,169

Budgetary Highlights

Over the course of the year, the Board revised the annual operating budget. These budget amendments fall into three categories:

- To adjust federal monies to the grants awarded
- To budget reserves and reappropriate monies to areas of need
- To increase/decrease revenues as received

Although the Board's final budget for the general fund anticipated \$20,749,962 of revenues and other sources would be received, the Board received \$17,387 more than anticipated. The Board budgeted \$25,587,250 of expenditures. The actual expenditures of \$24,043,218 were \$1,814,032 under budget, which includes the remaining bond proceeds from the City of Elizabethton received in 2013-2014 that were redesignated as restricted at fiscal year-end.

Capital Asset and Debt Administration

By the end of fiscal year 2015, the Elizabethton City Schools had invested \$18.3 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an increase of \$3,297,563 or 21.9% from last year. (More detailed information about assets can be found in the notes to the financial statements.) Total depreciation expense for the year totaled \$531,405, while building improvements and additions to equipment amounted to \$177,954 (net of decreases).

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		Total % Change <u>2014-2015</u>
	<u>2014</u>	<u>2015</u>	
Land	216,170	216,170	0.0%
Construction In Progress	147,141	3,798,155	2481.3%
Buildings	13,628,828	13,260,792	-2.7%
Equipment and Vehicles	<u>1,069,031</u>	<u>1,083,616</u>	1.4%
Total Assets	<u><u>15,061,170</u></u>	<u><u>18,358,733</u></u>	21.9%

The Board's fiscal year 2015 capital expenditures consisted of concrete drainage and sidewalks at T.A. Dugger Junior High School; one new school bus; a drivers' education car for Elizabethton High School; purchase of a new server for the Technology Department; and, the purchase of a hydraulic lift for the Maintenance Department. Construction in Progress included the expenditures for improvements to the Elizabethton High School campus.

Factors Impacting the Future of the School System and Board

Continued repairs to aging facilities

Ensuring that students and teachers have appropriate and adequate resources available to meet the goals set for academic achievement (meeting Common Core requirements)

Increasing Career Technical Education courses for students

Providing all students with appropriate academic intervention

Providing for the safety and security of our students

Completion of high school campus improvements made possible by bonds issued by the City of Elizabethton and private donations

Securing funding for additional classrooms at T.A. Dugger Junior High School

Contacting the Board's Financial Management

This financial report is designed to provide the Board's citizens, taxpayers, customers, investors, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Office of Business and Fiscal Management, Elizabethton Board of Education, 804 South Watauga Avenue, Elizabethton, Tennessee 37643.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 1,710,777
Restricted - Cash	1,933,250
Accounts Receivable	36,784
Due from Other Governments	1,116,814
Due from Carter County	3,045,473
Inventories	32,266
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	3,798,155
Capital Assets, Net of Accumulated Depreciation	
Buildings	13,260,792
Equipment	1,083,616
Net Pension Asset - Cost Sharing Plan	43,322
Total Assets	26,277,419
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,386,822
LIABILITIES	
Accounts Payable	1,660,407
Long-Term Liabilities	
Due Within One Year	5,242
Compensated Absences	47,796
OPEB Liability	3,345,589
Net Pension Liability - Agency Plan	208,006
Total Liabilities	5,267,040
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Current Property Tax	2,977,403
Deferred Inflows Related to Pensions	4,335,745
Total Deferred Inflows of Resources	7,313,148
NET POSITION	
Net Investment in Capital Assets	18,358,733
Restricted for Education	305
Restricted for Athletic Complex	1,495,163
Restricted for Operations	246,373
Unrestricted	(5,016,521)
Total Net Position	\$ 15,084,053

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSES)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	REVENUES AND CHANGES IN NET POSITION
Governmental Activities					Governmental Activities
Instruction	\$ 12,662,819	392,698	4,067,067	-	(8,203,054)
Support Services	8,085,424	-	52,500	-	(8,032,924)
Food Service	925,523	172,311	766,941	-	13,729
Community Services	270,109	-	-	-	(270,109)
Early Childhood Education	406,977	-	400,701	-	(6,276)
Total Governmental Activities	22,350,852	565,009	5,287,209	0	(16,498,634)
General Revenues					
Payments from Carter County					
					Property Taxes 3,102,613
					Sales Taxes 1,974,262
					Other Taxes 90,977
					Other Local Governments 1,897
					State Aid 11,889,215
					Unrestricted Investment Earnings 20,299
					Miscellaneous 18,776
					Contributions and Donations not Restricted to Specific Programs 232,861
					Total General Revenues 17,330,900
					Change in Net Position 832,266
					Net Position - Beginning 18,468,169
					Prior Period Adjustment 54,821
					Prior Period Restatement (4,271,203)
					Net Position - Beginning , Restated 14,251,787
					Net Position - Ending \$ 15,084,053

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
ASSETS				
Cash	\$ 1,426,369	35,668	248,740	1,710,777
Restricted - Cash	1,933,250	-	-	1,933,250
Accounts Receivable	36,636	-	148	36,784
Due from Other Governments	1,113,438	3,376	-	1,116,814
Due from Carter County	3,045,473	-	-	3,045,473
Inventories	-	-	32,266	32,266
TOTAL ASSETS	\$ 7,555,166	39,044	281,154	7,875,364
LIABILITIES				
Accounts Payable	\$ 1,618,848	39,044	2,515	1,660,407
Total Liabilities	1,618,848	39,044	2,515	1,660,407
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Current Property Tax	2,977,403	-	-	2,977,403
Deferred Revenues - Unavailable	68,200	-	-	68,200
Total Deferred Inflows of Resources	3,045,603	0	0	3,045,603
FUND BALANCES				
Non-Spendable				
Inventories	-	-	32,266	32,266
Restricted for				
Athletic Complex	1,495,163	-	-	1,495,163
Education	305	-	-	305
Operations of Noninstructional Program	-	-	246,373	246,373
Assigned to				
After School	22,095	-	-	22,095
Capital Outlay	325,000	-	-	325,000
Community Involvement	2,530	-	-	2,530
Early Learning Center	5,840	-	-	5,840
Homeless Donation	100	-	-	100
Technology	71,091	-	-	71,091
Unassigned	968,591	-	-	968,591
Total Fund Balances	2,890,715	0	278,639	3,169,354
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,555,166	39,044	281,154	7,875,364

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances - Governmental Funds	\$ 3,169,354
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$29,830,377 and the accumulated depreciation is \$(11,471,644).	18,358,733
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	68,200
OPEB benefits represent liabilities of the School that are not due and payable in the current period and, therefore, are not recorded at the fund level.	(3,345,589)
Long-Term pension retirement plans are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the net pension asset/(liability), net of deferred inflows and deferred outflows.	(3,113,607)
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(53,038)</u>
Total Net Position - Governmental Activities	<u><u>\$ 15,084,053</u></u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
REVENUES				
Payments from County and City	\$ 7,466,237	-	-	7,466,237
Revenue from State of Tennessee	12,650,053	-	9,741	12,659,794
Revenue from Federal Government	-	1,424,930	757,200	2,182,130
Charges for Services	392,698	-	172,311	565,009
Investment Earnings	19,401	-	898	20,299
Other	238,960	-	-	238,960
Total Revenues	20,767,349	1,424,930	940,150	23,132,429
EXPENDITURES				
Instruction	12,324,765	1,018,953	-	13,343,718
Support Services	7,222,840	384,602	-	7,607,442
Food Services	-	-	932,981	932,981
Community Services	265,944	-	-	265,944
Early Childhood Education	400,701	-	-	400,701
Capital Outlay	3,828,968	-	-	3,828,968
Total Expenditures	24,043,218	1,403,555	932,981	26,379,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,275,869)</u>	<u>21,375</u>	<u>7,169</u>	<u>(3,247,325)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	25,195	-	-	25,195
Transfers Out	(3,820)	(21,375)	-	(25,195)
Total Other Financing Sources (Uses)	21,375	(21,375)	0	0
NET CHANGE IN FUND BALANCES	(3,254,494)	-	7,169	(3,247,325)
FUND BALANCES, JULY 1, 2014	6,090,388	-	271,470	6,361,858
PRIOR PERIOD ADJUSTMENT	54,821	-	-	54,821
FUND BALANCES, JULY 1, 2014 (RESTATED)	6,145,209	-	271,470	6,416,679
FUND BALANCES, JUNE 30, 2015	<u>\$ 2,890,715</u>	<u>0</u>	<u>278,639</u>	<u>3,169,354</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE 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, 2015

Total Net Change in Fund Balances - Governmental Funds \$ (3,247,325)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense of \$3,828,968 exceeds depreciation expense of \$531,405. 3,297,563

Because some property taxes and grants will not be collected for several months after the fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount for the current fiscal year. 32,338

In the Statement of Activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the fiscal year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences changed by this amount for the current fiscal year. 5,265

Long-term pension retirement plan expenditures are reported in the governmental funds as incurred. However, in the statement of activities, the cost is expensed as earned. This is the amount of the change in pension retirement plan during the current period. 1,157,596

Liability for OPEB benefits are not reported in the governmental funds and increased by this amount for the current fiscal year. (413,171)

Change in Net Position of Governmental Activities \$ 832,266

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
PAYMENTS FROM COUNTY AND CITY				
Carter County				
Local Sales Tax	\$ 1,925,000	1,986,000	1,986,006	6
County Property Tax	2,878,050	3,108,735	3,132,288	23,553
Other Local Tax	21,500	16,045	15,943	(102)
City of Elizabethton				
Contributions	2,332,000	2,332,000	2,332,000	-
Total Payments from County and City	7,156,550	7,442,780	7,466,237	23,457
INTERGOVERNMENTAL REVENUES				
State of Tennessee				
Basic Education Program	11,505,000	11,765,500	11,765,500	-
Driver Education	8,000	14,300	14,290	(10)
Career Ladder Program	91,603	77,203	77,218	15
Career Ladder - Extended Contract	44,342	46,495	46,495	-
Early Childhood Education	400,701	400,701	400,701	-
Other State Education Funds	359,338	345,860	345,849	(11)
Total Intergovernmental Revenues	12,408,984	12,650,059	12,650,053	(6)
MISCELLANEOUS REVENUES				
Tuition	336,860	394,540	392,698	(1,842)
Rental of School Property	500	500	425	(75)
Interest Income	12,500	19,400	19,401	1
Donations	200	236,858	232,861	(3,997)
Marriage Licenses	600	600	605	5
Other Local Revenues	1,500	1,975	1,897	(78)
E-Rate Funding	2,500	2,500	2,500	-
Mixed Drinks	4,500	750	672	(78)
Total Miscellaneous Revenues	359,160	657,123	651,059	(6,064)
TOTAL REVENUES	19,924,694	20,749,962	20,767,349	17,387

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	6,323,000	6,513,000	6,508,742	4,258
Career Ladder Program	50,000	42,000	42,000	-
Career Ladder - Extended Contract	38,000	41,243	41,243	-
Homebound Teachers	5,000	5,750	5,513	237
Educational Assistants	213,930	193,930	193,769	161
Other Salaries and Wages	30,000	44,500	44,441	59
Certified Substitute Teachers	26,500	15,500	15,388	112
Non-Certified Substitute Teachers	100,000	104,650	104,621	29
Social Security	419,816	412,921	412,467	454
State Retirement	584,862	595,432	592,417	3,015
Life Insurance	13,073	13,253	13,244	9
Medical Insurance	1,136,623	1,125,747	1,115,653	10,094
Dental Insurance	49,508	49,508	48,129	1,379
Medicare	98,461	100,433	97,308	3,125
Other Contracted Services	1,800	1,800	108	1,692
Instructional Supplies	97,000	97,000	96,118	882
Textbooks	205,000	207,500	207,498	2
Other Supplies and Materials	50,620	50,795	47,284	3,511
Equipment and Furniture	-	5,850	5,841	9
Total Instruction - Regular Instruction	9,443,193	9,620,812	9,591,784	29,028
Instruction - Special Education				
Teachers	719,541	694,541	694,540	1
Career Ladder Program	5,000	3,000	3,000	-
Homebound Teachers	2,000	2,000	720	1,280
Educational Assistants	214,199	240,499	240,286	213
Speech Pathologist	143,946	140,946	140,946	-
Certified Substitute Teachers	9,500	1,500	1,148	352
Non-Certified Substitute Teachers	18,000	22,750	22,526	224
Other Salaries and Wages	7,472	7,547	7,531	16
Social Security	69,310	69,310	66,012	3,298
State Retirement	91,012	90,832	89,875	957
Life Insurance	2,228	2,313	2,295	18
Medical Insurance	237,297	247,940	243,044	4,896
Dental Insurance	10,953	11,253	10,940	313
Medicare	16,272	16,272	15,466	806
Other Contracted Services	122,500	122,050	116,935	5,115

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Special Education (Continued)				
Instructional Supplies	9,500	11,500	11,141	359
Other Supplies and Materials	1,000	1,000	414	586
Other Charges	3,000	2,000	355	1,645
Special Education Equipment	-	2,758	2,598	160
Total Instruction - Special Education	<u>1,682,730</u>	<u>1,690,011</u>	<u>1,669,772</u>	<u>20,239</u>
Instruction - Vocational Education				
Teachers	582,106	574,606	574,389	217
Career Ladder Program	3,000	3,000	3,000	-
Certified Substitute Teachers	1,000	1,000	506	494
Non-Certified Substitute Teachers	7,000	9,500	9,299	201
Social Security	35,186	35,186	34,828	358
State Retirement	52,893	52,893	51,573	1,320
Life Insurance	1,170	1,170	1,170	-
Medical Insurance	103,210	99,226	99,081	145
Dental Insurance	4,434	4,434	4,294	140
Medicare	8,608	8,608	8,152	456
Maintenance and Repair - Equipment	2,500	2,400	163	2,237
Instructional Supplies	24,000	24,000	20,726	3,274
Other Supplies and Charges	1,000	1,100	984	116
Total Instruction - Vocational Education	<u>826,107</u>	<u>817,123</u>	<u>808,165</u>	<u>8,958</u>
Instruction - Student Body				
Other Salaries and Wages	184,572	204,572	204,489	83
Social Security	11,443	12,493	12,470	23
State Retirement	16,278	16,278	13,969	2,309
Life Insurance	45	45	45	-
Medical Insurance	6,500	6,500	5,948	552
Dental Insurance	317	317	307	10
Employer Medicare	2,676	2,926	2,916	10
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	10,500	10,500	10,500	-
Total Instruction - Student Body	<u>236,731</u>	<u>258,031</u>	<u>255,044</u>	<u>2,987</u>
Total Instruction Expenditures	<u>12,188,761</u>	<u>12,385,977</u>	<u>12,324,765</u>	<u>61,212</u>
Support Services				
Student Services - Attendance				
Supervisor/Director	1,500	1,500	1,500	-
Secretary(ies)	38,293	38,293	38,293	-
Social Security	2,467	2,467	2,464	3
State Retirement	3,318	3,318	3,318	-
Life Insurance	45	45	45	-
Medical	6,500	6,500	6,489	11
Dental	314	314	307	7

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance (Continued)				
Medicare	577	577	576	1
Other Supplies and Materials	2,000	2,000	102	1,898
Travel	3,500	4,350	4,311	39
Other Contracted Services	25,503	25,503	19,347	6,156
Total Student Services - Attendance	84,017	84,867	76,752	8,115
Student Services - Health Services				
Supervisor/Director	54,672	52,505	52,343	162
Medical Personnel	149,157	170,989	170,986	3
Social Security	12,638	13,566	13,231	335
State Retirement	17,674	18,617	18,291	326
Life Insurance	405	450	450	-
Medical Insurance	47,500	53,989	53,273	716
Dental Insurance	2,217	2,524	2,454	70
Medicare	2,956	3,173	3,094	79
Travel	725	725	302	423
Other Contracted Services	2,000	250	-	250
Other Supplies and Materials	10,048	14,908	15,467	(559)
Other Charges	750	750	649	101
In-Service/Staff Development	5,000	5,000	4,947	53
Total Student Services - Health Services	305,742	337,446	335,487	1,959
Student Services - Other Student Support				
Career Ladder Program	-	1,000	1,000	-
Guidance Personnel	293,535	293,535	293,535	-
Secretaries	104,947	105,447	105,374	73
Other Salaries and Wages	-	3,250	3,250	-
Social Security	24,500	24,562	24,105	457
State Retirement	35,257	35,347	35,357	(10)
Life Insurance	765	765	765	-
Medical Insurance	78,640	78,550	77,463	1,087
Dental Insurance	3,486	3,486	3,348	138
Medicare	5,778	5,793	5,637	156
Evaluation and Testing	15,000	17,700	17,611	89
Other Contracted Services	50,000	40,600	35,133	5,467
Other Charges	6,000	6,200	6,200	-
Total Student Services - Other Student Support	617,908	616,235	608,778	7,457
Total Student Services Support Services	1,007,667	1,038,548	1,021,017	17,531

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instructional Staff Services				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	137,212	131,712	131,648	64
Career Ladder Program	11,000	11,000	11,000	-
Librarians	241,216	241,216	241,216	-
Secretary	18,335	18,335	18,335	-
Education Assistants	33,305	33,305	32,774	531
Other Salaries and Wages	46,045	72,545	72,540	5
Social Security	29,932	29,932	28,355	1,577
State Retirement	43,658	43,658	41,746	1,912
Life Insurance	756	756	745	11
Medical Insurance	77,516	76,676	75,296	1,380
Dental Insurance	3,214	3,214	3,081	133
Medicare	7,064	7,064	6,999	65
Maintenance and Repair - Equipment	5,900	5,900	5,697	203
Travel	1,000	1,200	1,189	11
Library Books/Media	36,700	36,700	36,699	1
Other Contracted Services	12,500	13,200	13,180	20
Other Supplies and Materials	3,000	3,000	995	2,005
In-Service/Staff Development	14,100	14,750	12,611	2,139
Other Charges	1,000	1,000	942	58
Other Equipment	2,390	2,390	1,216	1,174
Total Instructional Staff Services - Regular Instruction	725,843	747,553	736,264	11,289
Instructional Staff Services - Special Education				
Supervisor/Director	70,337	43,337	43,322	15
Secretaries	28,720	28,720	28,720	-
Social Security	6,142	6,142	4,394	1,748
State Retirement	8,745	8,745	6,303	2,442
Life Insurance	110	110	86	24
Medical Insurance	11,670	11,550	9,888	1,662
Dental Insurance	503	503	421	82
Medicare	1,436	1,436	1,028	408
Maintenance and Repair - Equipment	500	600	578	22
Travel	2,500	2,600	1,379	1,221
In-Service/Staff Development	8,000	11,000	10,539	461
Other Charges	8,250	8,250	5,284	2,966
Total Instructional Staff Services - Special Education	146,913	122,993	111,942	11,051

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instructional Staff (Continued)				
Instructional Staff Services - Vocational Education				
Supervisor/Director	74,233	74,233	73,183	1,050
Career Ladder Program	1,000	1,000	1,000	-
Secretaries	22,025	22,025	21,920	105
Social Security	6,030	6,030	5,264	766
State Retirement	8,631	8,631	8,528	103
Life Insurance	135	135	135	-
Medical Insurance	16,500	16,225	16,213	12
Dental Insurance	634	634	588	46
Medicare	1,411	1,411	1,231	180
In-Service/Staff Development	3,700	4,200	1,589	2,611
Total Instructional Staff Services - Vocational Education	134,299	134,524	129,651	4,873
Total Instructional Staff Services	1,007,055	1,005,070	977,857	27,213
General Administrative Services				
General Administrative Services - Board of Education				
Secretary to Board	1,500	1,500	1,500	-
Social Security	93	93	90	3
State Retirement	125	125	125	-
Unemployment Compensation	20,000	25,000	19,369	5,631
Medicare	22	22	21	1
Audit Services	31,375	31,375	31,375	-
Dues and Memberships	8,350	8,350	5,419	2,931
Legal Services	18,000	18,000	12,665	5,335
Other Contracted Services	2,000	2,000	2,000	-
Liability Insurance	40,000	41,146	41,146	-
Premium on Corporate Surety Bonds	1,350	1,350	825	525
Trustee Commissions	85,000	85,000	80,980	4,020
Workers' Compensation	152,000	163,405	163,403	2
In-Service/Staff Development	7,750	7,750	5,060	2,690
Other Charges	3,500	3,500	3,056	444
Total General Admin. Svcs. - Board of Education	371,065	388,616	367,034	21,582
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	90,803	92,878	92,875	3
Career Ladder Program	1,000	1,400	1,400	-

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
General Administrative Services (Continued)				
General Administrative Services -				
Office of the Superintendent (Continued)				
Secretaries	40,893	40,893	40,893	-
Clerical Personnel	35,048	35,048	35,048	-
Other Salaries and Wages	4,800	4,800	4,800	-
Social Security	10,698	10,698	10,614	84
State Retirement	15,043	15,193	15,186	7
Life Insurance	180	180	171	9
Medical Insurance	19,500	21,000	18,790	2,210
Dental Insurance	945	1,075	1,022	53
Medicare	2,502	2,507	2,488	19
Advertising	5,000	5,225	5,213	12
Communication	47,000	49,000	47,670	1,330
Dues and Memberships	2,000	2,000	1,626	374
Postal Charges	6,500	6,500	2,689	3,811
Printing, Stationery and Forms	1,500	1,500	-	1,500
Travel	450	450	329	121
Other Contracted Services	3,500	3,500	2,579	921
Office Supplies	7,000	7,000	3,097	3,903
In-Service/Staff Development	2,400	2,400	1,105	1,295
Other Charges	8,975	8,975	7,873	1,102
Total General Admin. Svcs. - Office of the Superintendent	305,737	312,222	295,468	16,754
Total General Administrative Services	676,802	700,838	662,502	38,336
School Administrative				
School Administrative Services - Office of the Principal				
Principals	377,249	380,449	380,421	28
Career Ladder Program	7,500	3,800	3,800	-
Assistant Principals	286,335	351,335	351,129	206
Secretaries	172,119	191,044	190,524	520
Other Salaries and Wages	119,011	127,511	127,481	30
Social Security	59,215	61,874	60,639	1,235
State Retirement	85,057	89,460	89,436	24
Life Insurance	1,440	1,530	1,530	-
Medical Insurance	170,559	172,226	169,815	2,411
Dental Insurance	7,285	7,405	7,336	69
Medicare	13,952	14,777	14,705	72
Travel	2,000	2,075	1,611	464
Office Supplies	17,225	17,225	17,209	16
In-Service/Staff Development	2,500	2,500	454	2,046
Other Charges	-	1,320	1,320	-
Total School Administrative Services - Office of the Principal	1,321,447	1,424,531	1,417,410	7,121

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Business Administrative Services - Fiscal Services				
Supervisor/Director	74,962	76,157	76,155	2
Accountants/Bookkeepers	76,586	76,586	76,586	-
Secretaries	38,293	38,293	38,293	-
Clerical Personnel	26,624	26,624	26,624	-
Social Security	13,000	13,300	13,284	16
State Retirement	18,535	18,645	18,644	1
Life Insurance	270	270	270	-
Medical Insurance	39,183	39,183	38,931	252
Dental Insurance	1,886	1,886	1,840	46
Medicare	3,139	3,139	3,107	32
Data Processing Services	10,415	10,415	10,414	1
Dues and Subscriptions	100	100	35	65
Travel	500	500	-	500
Data Processing Supplies	-	-	-	-
Office Supplies	4,500	5,500	3,958	1,542
In-Service/Staff Development	2,650	1,650	404	1,246
Other Charges	1,000	1,000	948	52
Total Bus. Admin. Svcs. - Fiscal Services	311,643	313,248	309,493	3,755
Operation and Maintenance				
Operation and Maintenance - Operation of Plant				
Supervisor/Director	28,558	35,631	35,183	448
Custodial Personnel	289,147	304,147	288,770	15,377
Social Security	19,250	20,175	19,506	669
State Retirement	26,401	26,401	25,513	888
Life Insurance	900	900	833	67
Medical Insurance	147,476	140,301	134,342	5,959
Dental Insurance	6,942	6,967	6,211	756
Medicare	4,607	4,807	4,562	245
Travel	-	300	210	90
Other Contracted Services	60,000	60,000	47,472	12,528
Custodial Supplies	43,000	45,500	45,465	35
Electricity	475,000	449,500	433,272	16,228
Natural Gas	130,000	105,000	92,841	12,159
Water and Sewer	40,000	40,000	37,547	2,453
Boiler Insurance	6,000	6,000	5,963	37
Building and Contents Insurance	110,000	115,885	115,885	-
Other Charges	6,500	10,000	9,627	373
Plant Operation Equipment	3,480	3,480	2,995	485
Total Oper. and Maint. - Operation of Plant	1,397,261	1,374,994	1,306,197	68,797

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Operation and Maintenance (Continued)				
Operation and Maintenance - Maintenance of Plant				
Supervisor/Director	17,040	17,040	16,634	406
Maintenance Personnel	234,889	209,589	204,694	4,895
Social Security	15,364	14,000	13,058	942
State Retirement	21,059	19,231	18,514	717
Life Insurance	293	293	288	5
Medical Insurance	44,000	42,600	42,046	554
Dental Insurance	1,965	1,962	1,840	122
Medicare	3,653	3,334	3,061	273
Laundry Service	3,000	4,500	4,316	184
Maintenance and Repair - Buildings	310,000	558,542	505,301	53,241
Maintenance and Repair - Equipment	1,000	1,000	-	1,000
Maintenance and Repair - Vehicles	3,000	6,600	6,507	93
Other Contracted Services	45,000	47,162	47,162	-
Other Equipment	-	1,425	1,409	16
In-Service/Staff Development	750	750	69	681
Total Oper. and Maint. - Maintenance of Plant	701,013	928,028	864,899	63,129
Total Operation and Maintenance	2,098,274	2,303,022	2,171,096	131,926
Student Transportation				
Supervisor/Director	2,800	2,800	2,800	-
Mechanics	7,500	8,000	8,458	(458)
Bus Drivers	76,933	88,833	88,813	20
Other Salaries and Wages	24,000	6,000	6,093	(93)
Social Security	6,152	6,152	6,102	50
State Retirement	8,322	8,752	8,849	(97)
Life Insurance	315	315	315	-
Medical Insurance	42,000	39,050	39,031	19
Dental Insurance	2,219	2,219	2,147	72
Medicare	1,439	1,439	1,427	12
Maintenance and Repair - Vehicles	5,250	7,250	7,004	246
Medical and Dental Services	2,500	2,500	1,500	1,000
Diesel Fuel	60,000	60,000	52,506	7,494
Gasoline	14,000	14,000	11,212	2,788
Tires and Tubes	7,500	7,750	7,732	18
Vehicle Parts	15,000	15,000	9,448	5,552
Vehicle Insurance	35,000	35,780	35,780	-
In-Service/Staff Development	1,000	1,500	1,332	168
Other Charges	4,000	4,000	2,669	1,331
Total Student Transportation	315,930	311,340	293,218	18,122

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Central Services				
Supervisor/Director	51,119	52,644	52,623	21
Data Processing Personnel	120,744	120,744	120,744	-
Social Security	10,656	10,656	10,239	417
State Retirement	14,655	14,805	14,793	12
Life Insurance	203	203	203	-
Medical Insurance	27,500	27,500	27,446	54
Dental Insurance	1,179	1,179	1,150	29
Medicare	2,492	2,492	2,395	97
Maintenance and Repair - Equipment	24,000	24,250	23,915	335
Travel	2,000	2,000	1,703	297
Other Contracted Services	55,000	83,000	80,985	2,015
Data Processing Supplies	10,000	10,000	9,748	252
Other Supplies and Materials	6,000	6,000	6,000	-
In-Service/Staff Development	2,000	2,000	2,000	-
Data Processing Equipment	17,791	17,791	16,303	1,488
Total Central Services	345,339	375,264	370,247	5,017
Total Support Services	7,084,157	7,471,861	7,222,840	249,021
Community Services				
Supervisor/Director	26,278	25,513	25,435	78
Other Salaries and Wages	126,410	154,710	153,217	1,493
Social Security	8,529	11,110	10,775	335
State Retirement	4,432	5,242	4,832	410
Life Insurance	65	115	110	5
Medical Insurance	3,935	11,058	10,621	437
Dental Insurance	212	537	529	8
Medicare	2,209	2,620	2,574	46
Travel	5,040	2,090	2,030	60
Other Contracted Services	750	750	750	-
Food Supplies	770	4,170	3,642	528
Other Supplies and Materials	12,693	49,975	48,979	996
Other Charges	4,575	2,600	2,450	150
Other Equipment	17,000	-	-	-
Total Community Services	212,898	270,490	265,944	4,546

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Early Childhood Education				
Supervisor/Director	52,473	52,473	52,473	-
Teachers	93,203	93,203	93,203	-
Bus Drivers	20,466	20,671	20,668	3
Secretary(ies)	16,483	16,483	16,483	-
Educational Assistants	80,126	82,751	82,750	1
Social Security	16,291	15,741	15,646	95
State Retirement	21,244	21,244	21,261	(17)
Life Insurance	558	558	545	13
Medical Insurance	67,025	62,030	62,028	2
Dental Insurance	3,074	2,749	2,745	4
Employer Medicare	3,810	3,680	3,659	21
Travel	1,500	1,600	1,586	14
Other Supplies and Materials	24,448	27,518	27,654	(136)
Total Early Childhood Education	<u>400,701</u>	<u>400,701</u>	<u>400,701</u>	<u>0</u>
Capital Outlay	<u>5,030,487</u>	<u>5,328,221</u>	<u>3,828,968</u>	<u>1,499,253</u>
Total Expenditures	<u>24,917,004</u>	<u>25,857,250</u>	<u>24,043,218</u>	<u>1,814,032</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,992,310)</u>	<u>(5,107,288)</u>	<u>(3,275,869)</u>	<u>1,831,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	25,432	25,195	25,195	-
Transfers Out	(3,900)	(3,800)	(3,820)	(20)
Total Other Financing Sources (Uses)	<u>21,532</u>	<u>21,395</u>	<u>21,375</u>	<u>(20)</u>
NET CHANGE IN FUND BALANCES	<u>(4,970,778)</u>	<u>(5,085,893)</u>	<u>(3,254,494)</u>	<u>1,831,399</u>
FUND BALANCES, JULY 1, 2014	6,090,388	6,090,388	6,090,388	-
PRIOR PERIOD ADJUSTMENT	-	-	54,821	54,821
FUND BALANCES, JULY 1, 2014 (RESTATED)	<u>6,090,388</u>	<u>6,090,388</u>	<u>6,145,209</u>	<u>54,821</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ 1,119,610</u>	<u>1,004,495</u>	<u>2,890,715</u>	<u>1,886,220</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenues from Federal Government				
Title I	\$ 598,585	688,395	574,497	(113,898)
Title II	73,232	93,035	88,417	(4,618)
Title X	12,000	20,000	11,567	(8,433)
Special Education (IDEA)	484,201	503,199	492,121	(11,078)
Special Education (Preschool)	10,140	12,433	12,433	-
Vocational Education	41,038	40,088	36,896	(3,192)
Safe and Drug Free School	50,000	50,000	50,000	-
Vocational Rehab	35,170	36,051	36,051	-
Consolidated Administration	126,667	126,667	122,948	(3,719)
TOTAL REVENUES	1,431,033	1,569,868	1,424,930	(144,938)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	78,586	78,586	78,586	-
Educational Assistants	27,630	27,630	27,099	531
Other Salaries and Wages	282,636	282,636	256,924	25,712
Social Security	24,108	24,108	21,763	2,345
State Retirement	32,655	32,655	30,011	2,644
Life Insurance	720	720	756	(36)
Medical Insurance	55,025	55,025	57,488	(2,463)
Dental Insurance	2,536	2,536	2,556	(20)
Medicare	5,639	5,639	5,090	549
Equipment	5,500	20,358	17,415	2,943
Instructional Supplies and Materials	29,851	41,993	23,098	18,895
Total Instruction - Regular Instruction	544,886	571,886	520,786	51,100
Instruction - Special Education				
Teachers	33,681	36,582	36,582	-
Educational Assistants	366,328	384,040	373,920	10,120
Other Salaries and Wages	3,000	3,000	3,282	(282)
Social Security	25,519	25,939	24,926	1,013
State Retirement	6,646	6,840	6,865	(25)
Life Insurance	225	225	225	-
Medical Insurance	19,466	19,466	19,466	-
Dental Insurance	1,265	1,264	1,227	37
Medicare	6,113	6,177	5,978	199
Total Instruction - Special Education	462,243	483,533	472,471	11,062

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Vocational Education				
Other Supplies and Materials	1,500	1,500	1,620	(120)
Vocational Instruction Equipment	19,950	24,078	24,076	2
Total Instruction - Vocational Education	<u>21,450</u>	<u>25,578</u>	<u>25,696</u>	<u>(118)</u>
 Total Instruction Expenditures	 <u>1,028,579</u>	 <u>1,080,997</u>	 <u>1,018,953</u>	 <u>62,044</u>
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	64,902	64,902	65,283	(381)
Secretary	26,286	26,286	26,286	-
Other Salaries & Wages	49,702	49,702	49,702	-
Social Security	8,736	8,736	8,698	38
State Retirement	12,544	12,544	12,559	(15)
Life Insurance	196	196	196	-
Medical Insurance	16,848	16,848	16,646	202
Dental Insurance	804	804	782	22
Employer Medicare	2,043	2,043	2,034	9
Travel	14,000	75,210	18,481	56,729
Other Supplies and Materials	3,000	4,000	2,223	1,777
In-Service/Staff Development	8,638	28,341	20,438	7,903
Other Equipment	2,500	3,200	2,887	313
Total Instructional Staff Services - Reg Instruction	<u>210,199</u>	<u>292,812</u>	<u>226,215</u>	<u>66,597</u>
Support Services - Student Transportation				
Bus Drivers	21,372	21,372	21,435	(63)
Other Salaries and Wages	1,620	1,620	-	1,620
Social Security	1,426	1,426	1,276	150
State Retirement	1,911	1,911	1,781	130
Life Insurance	90	90	90	-
Medical Insurance	6,590	6,590	6,589	1
Dental Insurance	634	634	613	21
Medicare	333	333	298	35
Total Support Services - Student Transportation	<u>33,976</u>	<u>33,976</u>	<u>32,082</u>	<u>1,894</u>

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Other Support Services				
Other Student Support	74,359	81,410	67,400	14,010
21st Century	48,668	48,668	48,550	118
Vocational Support	13,720	10,473	10,355	118
Total Other Support Services	<u>136,747</u>	<u>140,551</u>	<u>126,305</u>	<u>14,246</u>
Total Support Services	<u>380,922</u>	<u>467,339</u>	<u>384,602</u>	<u>82,737</u>
TOTAL EXPENDITURES	<u>1,409,501</u>	<u>1,548,336</u>	<u>1,403,555</u>	<u>144,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,532</u>	<u>21,532</u>	<u>21,375</u>	<u>(157)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(21,532)</u>	<u>(21,532)</u>	<u>(21,375)</u>	<u>157</u>
Total Other Financing Sources (Uses)	<u>(21,532)</u>	<u>(21,532)</u>	<u>(21,375)</u>	<u>157</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, JULY 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL NUTRITION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 521,025	521,375	520,473	(902)
USDA Breakfast Claims	162,500	165,725	165,109	(616)
Snack Reimbursement	16,500	27,450	27,417	(33)
Commodities	46,675	44,225	44,201	(24)
State Matching	21,500	9,740	9,741	1
Total Intergovernmental Revenues	<u>768,200</u>	<u>768,515</u>	<u>766,941</u>	<u>(1,574)</u>
Charges for Services				
Meal Payment - Children	106,000	92,250	92,233	(17)
Meal Payment - Adults	20,000	21,625	21,476	(149)
Income from Breakfast	650	505	477	(28)
A La Carte Sales	47,500	51,650	51,376	(274)
Other Charges for Services	7,750	6,900	6,749	(151)
Total Charges for Services	<u>181,900</u>	<u>172,930</u>	<u>172,311</u>	<u>(619)</u>
Investment Earnings	<u>1,250</u>	<u>900</u>	<u>898</u>	<u>(2)</u>
TOTAL REVENUES	<u>951,350</u>	<u>942,345</u>	<u>940,150</u>	<u>(2,195)</u>
EXPENDITURES				
Food Services				
Supervisor/Director	38,938	39,088	39,087	1
Cafeteria Personnel	277,884	275,184	274,956	228
Other Salaries and Wages	16,900	3,975	3,417	558
Social Security	19,638	19,862	19,258	604
State Retirement	22,175	22,246	22,080	166
Life Insurance	765	765	761	4
Medical Insurance	116,012	113,362	112,429	933
Dental Insurance	5,620	5,620	5,444	176
Medicare	4,593	4,668	4,504	164
Maintenance/Repair - Equipment	7,000	6,275	5,980	295
Transportation	3,750	3,750	1,578	2,172
Travel	150	150	59	91
Food Supplies	335,000	356,700	356,111	589
Office Supplies	2,000	2,000	990	1,010
USDA Commodities	46,675	44,225	44,201	24
Other Supplies and Materials	30,000	30,575	29,958	617
In-Service/Staff Development	1,000	1,000	1,003	(3)
Other Charges	7,000	7,550	5,816	1,734
Equipment	16,250	5,350	5,349	1
TOTAL EXPENDITURES	<u>951,350</u>	<u>942,345</u>	<u>932,981</u>	<u>9,364</u>

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL NUTRITION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	7,169	7,169
FUND BALANCES, JULY 1, 2014	271,470	271,470	271,470	-
FUND BALANCES, JUNE 30, 2015	\$ 271,470	271,470	278,639	7,169

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Elizabethton City Schools (the Schools) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Schools' accounting policies are described below.

Reporting Entity

The General Purpose School Fund, School Federal Projects Fund, and School Nutrition Fund are three funds of the Elizabethton City Schools. The Schools are included as a discretely presented component unit in the financial report of the City of Elizabethton, Tennessee (the City). The Board of Education (Board) receives funding from local, county, state and federal government sources and must comply with the requirements of these funding source entities. The members of the Board of Education are elected by the voters of the City.

Related Organizations

School Activity Funds of the Schools are the internal school funds used for student body activities within each school. Administration of the school activity funds is the responsibility of the Schools, the Director of Schools and the principals. The internal school funds are restricted for use by the individual schools; therefore, these funds are not included in the reporting entity of the Board of Education.

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 the nonfiduciary activities of the government. Governmental activities are normally supported by intergovernmental revenues.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 Schools consider revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue has a period of availability of one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and debt service are recorded only when payment is due.

Property 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. All other revenue items are considered to be measurable and available only when cash is received by the Board of Education.

The Schools report the following governmental funds:

General Purpose School Fund – The General Purpose School Fund is the operations fund and accounts for all revenues and expenditures not encompassed within other funds. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Purpose School Fund.

School Federal Projects Fund – The School Federal Projects Fund accounts for federal grant programs including Title I, Title II, Title X, IDEA, Vocational, Race to the Top Incentive Grants and Safe and Drug-Free School programs. This fund accounts for these federal grant programs at the Schools including administration, instruction, student support services and staff development.

School Nutrition Fund – This fund accounts for the federal school lunch, breakfast and snack program for all the Schools. This includes USDA claims for meals served, a la carte sales, as well as administration of the school cafeteria system including purchase of food, food preparation, salary, and maintenance needs for this program.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The Finance Director is the treasurer for the Schools and in this capacity is responsible for receiving, disbursing, depositing and investing most of the Schools' funds. Certain disclosures regarding deposits and investments are required by GAAP for those amounts included on the Balance Sheet as cash and cash equivalents. The Board of Education does not have any deposits or investments other than cash on deposit with banks.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Receivables

Property taxes receivable are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." Revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable less an estimated allowance for uncollectible taxes is reported as a deferred inflow of resources as of June 30. 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.

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Governmental funds record inventories as expenditures at the time of purchase. All such inventories on hand at year-end are reported as assets and as non-spendable in the equity section of the funds' Balance Sheet.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 for vehicles and equipment and \$50,000 for buildings and improvements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Vehicles and Equipment	3-20

Deferred Outflows / Deferred Inflows

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 fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure). The School has items that qualify for reporting in this category. Accordingly, these items are reported in the government-wide Statement of Net Position and are for pension changes in experience, pension changes in proportionate share of contributions as well as contributions made to the pension plan after the measurement date.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Deferred Outflows / Deferred Inflows (Continued)

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

The Schools has two items that qualify for reporting in this category. Accordingly, these items are reported in the government-wide Statement of Net Position and in the governmental funds balance sheet. These items are from the following: current and delinquent property taxes, pension changes in experience and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

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

Fund Equity

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

- Net Investment in Capital Assets – Consists of capital assets, including restricted 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.

ELIZABETHTON CITY SCHOOLS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity (Continued)

The Board follows GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides clearly defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that cannot be spent because it is either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Schools, using its highest level of decision-making authority, which is by resolution. The Board of Education is the highest level of decision-making authority for the Schools that can, by formal resolution commit fund balance. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action (resolution) to remove, modify, rescind or change the constraint.
- Assigned fund balance – amounts the Schools' intend to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Purpose School Fund.

The Director of Schools shall have the authority to establish the amounts of funds that will be assigned for specific purposes at the end of the fiscal year for the Elizabethton City Schools. The budget for the School Federal Projects Fund shall be the budget approved for the separate projects within the fund by the Elizabethton Board of Education.

In the general purpose school fund and all governmental funds, the Schools will reduce restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The Schools will reduce committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which any of those unrestricted fund balance classifications could be used.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Estimates

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

Pensions

Agency Plan

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

Teacher Legacy Plan

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

Teacher Retirement Plan

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

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For the Fiscal Year Ended June 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Schools' financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the fiscal year. The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual include original and final amended budget amounts. The budgets were legally adopted on a basis consistent with GAAP.

Interfund Balances

The composition of interfund balances as of June 30, 2015 is as follows:

Transfer In	Transfer Out	Amount	Purpose
General Purpose School Fund	School Federal Projects Fund	\$ 21,375	Reimbursement for Indirect Costs

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash on the Balance Sheet include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on deposits and investments, including repurchase agreements. 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.

INVESTMENTS - State statutes authorize the schools to invest in treasury bonds, notes or bills of the United States of America; 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 of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America 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.

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

The Schools do not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of Federal Deposit Insurance Corporation coverage and placing deposits in banks that are approved members of the State of Tennessee Collateral Pool.

All deposits of the Schools are held by a bank which is an approved member of the Bank Collateral Pool of the Treasury Department of the State of Tennessee. The Collateral Pool is a multiple financial institution collateral pool and State statutes require collateral pledged by each financial institution must equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. At fiscal year end, the Schools' net carrying amount of deposits was \$3,644,027 and the bank balance was \$3,779,011.

Receivables

Receivables as of fiscal year end for the Schools' individual funds are as follows:

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total
Other Receivables	\$ 36,636	-	148	36,784
Due from Other Governments				
Federal and State	1,113,438	3,376	-	1,116,814
Carter County, Tax Allocation	3,045,473	-	-	3,045,473
Total Receivables	<u>\$ 4,195,547</u>	<u>3,376</u>	<u>148</u>	<u>4,199,071</u>

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 216,170	-	-	216,170
Construction in Progress	147,141	3,651,014	-	3,798,155
Total Capital Assets, Not Being Depreciated	<u>363,311</u>	<u>3,651,014</u>	<u>0</u>	<u>4,014,325</u>
Capital Assets, Being Depreciated				
Buildings	23,696,698	51,109	-	23,747,807
Equipment	1,941,400	126,845	-	2,068,245
Total Capital Assets, Being Depreciated	<u>25,638,098</u>	<u>177,954</u>	<u>0</u>	<u>25,816,052</u>
Less Accumulated Depreciation For				
Buildings	(10,067,870)	(419,145)	-	(10,487,015)
Equipment	(872,369)	(112,260)	-	(984,629)
Total Accumulated Depreciation	<u>(10,940,239)</u>	<u>(531,405)</u>	<u>0</u>	<u>(11,471,644)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,697,859</u>	<u>(353,451)</u>	<u>0</u>	<u>14,344,408</u>
Total Capital Assets, Net	<u>\$ 15,061,170</u>	<u>3,297,563</u>	<u>0</u>	<u>18,358,733</u>

Depreciation expense is charged to Plant Operation and Maintenance in the Statement of Activities.

Construction Commitments

At June 30, 2015, the Schools had uncompleted construction contracts of approximately \$900,000 for renovation and capital construction projects.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Long-Term Debt

The following is a summary of debt transactions of the Schools relating to Compensated Absences, Net Pension Liability for the Agency Plan and Other Post-Employment Benefits (OPEB) for the fiscal year ended June 30, 2015:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 58,303	5,242	10,507	53,038	5,242
Net Pension Liability - Agency Plan	\$ 1,165,623	810,982	1,768,599	208,006	-
OPEB Liability	2,932,418	805,298	392,127	3,345,589	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 4,156,344</u>	<u>1,621,522</u>	<u>2,171,233</u>	<u>3,606,633</u>	<u>5,242</u>

NOTE 4 - OTHER INFORMATION

Risk Management

The Schools purchase commercial insurance for the risks of loss for general liability, employee, administration, and Board member dishonesty. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

General Information about the Pension Plan - Agency Plan

Plan Description

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

Benefits provided

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

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	162
Active employees	<u>110</u>
	<u><u>378</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Elizabethton City Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Elizabethton City Board of Education were \$194,645 based on a rate of 8.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Elizabethton City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Elizabethton City Board of Education's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

NET PENSION LIABILITY (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategiv lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

NET PENSION LIABILITY (Continued)

Discount Rate (Continued)

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2013	\$ 8,038,516	6,872,893	1,165,623
Changes for the year:			
Service Cost	203,227	-	203,227
Interest	603,524	-	603,524
Differences Between Expected and Actual Experience	(336,885)	-	(336,885)
Contributions - Employer	-	186,419	(186,419)
Contributions - Employees	-	112,436	(112,436)
Net Investment Income	-	1,132,859	(1,132,859)
Benefit Payments, Including Refunds of Employee Contributions	(389,506)	(389,506)	-
Administrative Expense	-	(4,231)	4,231
Net Changes	80,360	1,037,977	(957,617)
Balance at 6/30/2014	\$ 8,118,876	7,910,870	208,006

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

NET PENSION LIABILITY (Continued)

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

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Elizabethton City Board of Education's Net Pension Liability (Asset)	\$ 1,248,991	208,006	(661,974)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Income

For the year ended June 30, 2015, Elizabethton City Board of Education recognized pension income of \$4,930.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, Elizabethton City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	269,508
Net Difference Between Projected and Actual Earnings on Pension Plan investments	-	496,760
Contributions Subsequent to the Measurement Date of June 30, 2014	194,645	-
	<u>\$ 194,645</u>	<u>766,268</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction to net pension liability in the following measurement period.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

NET PENSION LIABILITY (Continued)

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

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

Year Ended June 30:	
2016	\$ (191,567)
2017	(191,567)
2018	(191,567)
2019	(191,567)
2020	-
Thereafter	-

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

General Information about the Pension Plan – Teacher Legacy Pension Plan

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

General Information about the Pension Plan – Teacher Legacy Pension Plan (Continued)

Benefits Provided

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Elizabethton City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$917,246 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Pension Asset

At June 30, 2014, the Elizabethton City Schools reported an asset of \$43,322 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Elizabethton City Schools' proportion of the net pension asset was based on Elizabethton City Schools' employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Elizabethton City Schools' proportion was 0.266606 percent. The proportion measured as of June 30, 2013 was 0.256511 percent.

Pension Income

For the year ended June 30, 2015, Elizabethton City Schools recognized a pension income of \$13,421.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, Elizabethton City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences Between Expected and Actual Experience	\$ 105,176	-
Net Difference Between Projected and Actual Earnings on Pension Plan investments	-	3,569,477
Changes in proportion of Net Pension Liability (Asset)	142,401	-
Contributions Subsequent to the Measurement Date of June 30, 2014	<u>917,246</u>	<u>-</u>
	<u>\$ 1,164,823</u>	<u>3,569,477</u>

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Elizabethton City Schools employer contributions of \$917,246, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (851,106)
2017	(851,106)
2018	(851,106)
2019	(851,106)
2020	41,263
Thereafter	41,263

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

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategiv lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Discount Rate

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

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

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

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 7,306,786	(43,322)	(6,128,415)

Pension Plan Fiduciary Net Position

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

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

General Information about the Pension Plan – Teacher Retirement Plan

Plan Description

Teachers with membership in the Tennessee Consolidate Retirement System (TCRS) before July 1, 2014 of Elizabethton City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is now closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

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

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

General Information about the Pension Plan – Teacher Retirement Plan (Continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$27,354, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration as well as an amortized portion of any unfunded liability.

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

Pension Liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense

Since the measurement date is June 30, 2014, Elizabethton City Schools did not recognize a pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, Elizabethton City Schools reported deferred outflows of resources related to pensions from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Elizabethton City Schools' Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 27,354	-
	\$ 27,354	-

Elizabethton City Schools' employer contributions of \$27,354 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Reconciliation of all three TCRS plans to the Statement of Net Position:

	Agency Plan	Teacher Legacy Plan	Teacher Retirement Plan	Total
Deferred Outflows Related to Pensions				
Differences Between Expected and Actual Experience	\$ -	105,176	-	105,176
Contributions Subsequent to Measurement Date	194,645	917,246	27,354	1,139,245
Changes in Proportion	-	142,401	-	142,401
Total Deferred Outflows Related to Pensions	194,645	1,164,823	27,354	1,386,822
Deferred Inflows Related to Pensions				
Differences Between Expected and Actual Experience	269,508	-	-	269,508
Differences Between Projected and Actual Investment Earnings	496,760	3,569,477	-	4,066,237
Total Deferred Inflows Related to Pensions	\$ 766,268	3,569,477	0	4,335,745

Post-Employment Healthcare Plan

Plan Description

The Schools participate in the State-administered Teacher Group Insurance Plan, Medicare Supplement Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Annotated Code (TCA) 8-27-201 (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.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

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).

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.

The Schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2015 are as follows:

Monthly Premiums – Retiree:

PPO 30 plus years: \$297 to \$322, 20 years or less: \$406 to \$431, and 20 - 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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Funding Policy (Continued)

	07/01/2014 - 06/30/2015
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 688,000
2. Interest on net OPEB Obligation	117,298
3. Adjustment to ARC	(114,275)
4. Annual OPEB Cost (Expense) (1+2+3)	691,023
5. Contribution made (assumed end of year)*	277,852
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	413,171
7. Net OPEB Obligation - beginning of year	2,932,418
8. Net OPEB Obligation - end of year (6 + 7)	\$ 3,345,589

*Contribution made was assumed to equal Expected Benefit Payments

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2015	Teacher and Local Government	\$ 691,023	40.2%	\$ 3,345,589
6/30/2014	Teacher and Local Government	666,668	48.5%	2,932,418
6/30/2013	Teacher and Local Government	803,733	44.3%	2,589,397

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, 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	40.36%

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Actuarial Methods and Assumptions

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

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

In the July 1, 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 \$115,000.

Concentration

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

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - OTHER INFORMATION (CONTINUED)

Accounting Changes - Restatement and Prior Period Adjustments

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* became effective for the year ended June 30, 2015. Due to the implementation of the new GASB standards, a restatement of \$4,271,203 (\$3,291,999 for the pension cost-sharing plan and \$979,204 for the pension agent plan) decreased net position in order to record the net operating balance of the pension liability and other debits/credits required in the government-wide financial statements under the new standard.

The Schools determined that certain transactions were recorded incorrectly in the prior year. In the General Purpose School Fund, the prior year receivables were underestimated in comparison to what was actually collected. Thus, a prior period adjustment was made in the amount of \$54,821 which increased fund balance for the General Purpose School Fund as of July 1, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS - AGENCY PLAN
Last Fiscal Year Ending June 30

	2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 203,227
Interest	603,524
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	(336,885)
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(389,506)
NET CHANGE IN TOTAL PENSION LIABILITY	80,360
TOTAL PENSION LIABILITY - BEGINNING	8,038,516
TOTAL PENSION LIABILITY - ENDING (a)	\$ 8,118,876
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 186,419
Contributions - Employee	112,436
Net Investment Income	1,132,859
Benefit Payments, Including Refunds of Employee Contributions	(389,506)
Administrative Expense	(4,231)
NET CHANGE IN TOTAL PENSION LIABILITY	1,037,977
PLAN FIDUCIARY NET POSITION - BEGINNING	6,872,893
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 7,910,870
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 208,006
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	97.44%
COVERED EMPLOYEE PAYROLL	\$ 2,248,707
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	9.25%

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

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS - AGENCY PLAN
Last Fiscal Year Ending June 30

Notes To Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen initial liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	13 years
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.00 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50 percent

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE
PENSION PLAN OF TCRS - AGENCY PLAN
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 186,419	194,645
Contributions in relation to the actuarially determined contribution	<u>186,419</u>	<u>194,645</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered-employee payroll	2,248,707	2,324,655
Contributions as a percentage covered-employee payroll	8.29%	8.37%

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

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET - TEACHER LEGACY
PENSION PLAN OF TCRS
Fiscal Year Ended June 30*

	2014
Elizabethton City Schools' proportion of the net pension asset	0.266606%
Elizabethton City Schools' proportionate share of the net pension asset	\$ 43,322
Elizabethton City Schools' covered-employee payroll	\$ 10,464,301
Elizabethton City Schools' proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

*The amounts presented were determined as of June 30 of the prior fiscal year.

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

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CONTRIBUTIONS - TEACHER LEGACY
PENSION PLAN OF TCRS
Fiscal Year Ended June 30

	2014	2015
Actuarially determined contribution (ADC)	\$ 929,227	917,246
Contributions in relation to the actuarially determined contribution	929,227	917,246
Contribution deficiency (excess)	0	0
Covered-employee payroll	10,464,301	10,146,416
Contributions as a percentage of covered-employee payroll	8.88%	9.04%

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

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CONTRIBUTIONS - TEACHER RETIREMENT PLAN OF TCRS
Fiscal Year Ended June 30

	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 17,096
Contributions in relation to the actuarially determined contribution	<u>27,354</u>
Contribution deficiency (excess)	<u>\$ (10,258)</u>
Covered-employee payroll	\$ 568,226
Contributions as a percentage of covered-employee payroll	4.81%

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

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FUNDING PROGRESS OF POST-RETIREMENT BENEFITS OTHER THAN
PENSIONS
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation <u>Date</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
July 1, 2013	\$0	\$5,642,000	\$5,642,000	0.00%	13,978,807	40.36%
July 1, 2011	\$0	\$5,923,000	\$5,923,000	0.00%	12,566,578	47.13%
July 1, 2010	\$0	\$5,606,000	\$5,606,000	0.00%	11,963,166	46.86%

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
<u>School Federal Projects Fund</u>						
Pass-Through State of Tennessee						
84.048	Carl Perkins (CTE Program Improvements)	U.S. Department of Education	\$ -	36,051	36,051	-
Special Education Cluster						
84.027	IDEA, Part B	U.S. Department of Education	(96,851)	588,972	492,121	-
84.173	IDEA, Preschool	U.S. Department of Education	(3,336)	15,769	12,433	-
	Total IDEA		<u>(100,187)</u>	<u>604,741</u>	<u>504,554</u>	<u>-</u>
84.196	Title X McKinney Vento-Homeless	U.S. Department of Education	(9,284)	19,665	11,567	(1,186) *
84.010	Title I	U.S. Department of Education	(159,200)	843,645	684,445	-
84.048	Title II, Part A	U.S. Department of Education	-	99,227	101,417	(2,190) *
84.287	Title IV, Part B, 21st Century Community Learning Centers	U.S. Department of Education	(17,879)	67,879	50,000	-
Pass-Through Tennessee Department of Human Services						
84.126	Vocational Rehabilitation Z-14-70507-00	Department of Human Services	(2,628)	39,524	36,896	-
Total School Federal Projects Fund			<u>\$ (289,178)</u>	<u>1,710,732</u>	<u>1,424,930</u>	<u>(3,376)</u>

* Receivable

** Unused Revenue

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
<u>School Nutrition Fund</u>						
Pass-Through State of Tennessee						
Child Nutrition Cluster						
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	165,109	165,109	-
10.555	National School Lunch Program	U.S. Department of Agriculture	-	520,473	520,473	-
10.500	National Snack Reimbursement	U.S. Department of Agriculture	-	27,417	27,417	-
Pass-Through Tennessee Department of Agriculture						
10.555	USDA: Commodity Supplemental Feeding- Commodities Distributed	Tennessee Department of Agriculture	-	44,201	44,201	-
Total School Nutrition Fund			<u>0</u>	<u>757,200</u>	<u>757,200</u>	<u>0</u>
TOTAL FEDERAL GRANTS			<u>\$ (289,178)</u>	<u>2,467,932</u>	<u>2,182,130</u>	<u>(3,376)</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elizabethton City Schools 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 B: FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and used.

* Receivable

** Unused Revenue

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2015

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
<u>General Purpose School Fund</u>						
N/A	Coordinated School Health	Tennessee Department of Education	\$ (22,274)	107,274	85,000	-
N/A	LEAP	Tennessee Department of Education	(8,426)	128,426	120,000	-
N/A	Energy Efficient School Initiative	Tennessee Department of Education	(10,025)	10,025	-	-
N/A	ConnectTenn	Tennessee Department of Education	-	7,040	7,040	-
N/A	Early Childhood Grant	Tennessee Department of Education	(77,378)	399,549	400,701	(78,530) *
N/A	Basic Education Program	Tennessee Department of Education	-	11,362,250	11,765,500	(403,250) *
N/A	Driver's Education	Tennessee Department of Education	(9,225)	23,513	14,288	-
N/A	Career Ladder	Tennessee Department of Education	(5,124)	80,708	76,914	(1,330) *
N/A	Extended Contract	Tennessee Department of Education	1,631	46,495	48,126	-
N/A	Safe Schools	Tennessee Department of Education	-	13,490	13,490	-
N/A	Testing	Tennessee Department of Education	-	3,999	3,999	-
N/A	Arts Ticket Subsidy	Tennessee Arts Commission	-	1,320	1,320	-
N/A	Other State Funds	Tennessee Department of Education	-	115,000	115,000	-
Total General Purpose School Fund			<u>(130,821)</u>	<u>12,299,089</u>	<u>12,651,378</u>	<u>(483,110)</u>
<u>School Nutrition Fund</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	9,741	9,741	-
Total School Nutrition Fund			<u>0</u>	<u>9,741</u>	<u>9,741</u>	<u>0</u>
TOTAL STATE GRANTS			<u>\$ (130,821)</u>	<u>12,308,830</u>	<u>12,661,119</u>	<u>(483,110)</u>

* Receivable ** Unused Revenue

69 See Independent Auditors' Report.

SECTION II

INTERNAL CONTROL AND COMPLIANCE SECTION

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

To the Director of Schools and
School Board Members
Elizabethton City Schools
Elizabethton, Tennessee 37643

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Elizabethton City Schools' basic financial statements, and have issued our report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Elizabethton City Schools' 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 Elizabethton City Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Elizabethton City Schools' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elizabethton City Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 17, 2015

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

To the Director of Schools and
School Board Members
Elizabethton City Schools
Elizabethton, Tennessee 37643

Report on Compliance for Each Major Federal Program

We have audited the Elizabethton City Schools', a component unit of the City of Elizabethton, Tennessee, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Elizabethton City Schools' major federal programs for the fiscal year ended June 30, 2015. Elizabethton City Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Elizabethton City Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 17, 2015

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee.
2. No significant deficiencies relating to the audit of the financial statements of the Elizabethton City Schools were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Elizabethton City Schools were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton City Schools expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were Title I, CFDA #84.010.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Elizabethton City Schools was determined to be a low-risk auditee.

SECTION II - CURRENT YEAR AUDIT FINDINGS

None

SECTION III - PRIOR YEAR AUDIT FINDINGS

None