

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2018

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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

INTRODUCTORY SECTION

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2018

Elected Officials - as of June 30, 2018

Chair	Rita Booher
Vice-Chair	Grover May, MD
Board Member	Tyler Fleming
Board Member	Phil Isaacs
Board Member	Susan Peters

Appointed Officials and Directors - as of June 30, 2018

Director of Schools	Dr. Corey R. Gardenhour
Deputy Director of Schools	Dr. Myra Newman
Chief Operating Officer	Joey Trent
Assistant Director of Schools, Director of Special Education & RTI	Richard VanHuss
Director of Federal Programs, Transportation, Health and Athletic Services	John Hutchins
Director of Business and Fiscal Management	Beth Wilson, MBA
Interim Director of Early Learning, Curriculum & Testing 6-12, and Data Services	Eric Wampler

SECTION II
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, 2018, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position and the respective budgetary comparison for each fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 5 to the financial statements, in 2018, the Elizabethton City Schools adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the net pension liability (asset) – teacher legacy pension plan of TCRS, schedule of contributions – teacher legacy pension plan of TCRS, schedule of proportionate share of the net pension liability (asset) – teacher retirement plan of TCRS, schedule of contributions – teacher retirement plan of TCRS, schedule of changes in Elizabethton City Schools proportionate share of collective OPEB liability and related ratios - teacher group OPEB plan, and schedule of changes in Elizabethton City Schools proportionate share of collective OPEB liability and related ratios - Tennessee Closed Plan on pages 5-10 and pages 71-78 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elizabethton City Schools' basic financial statements. The introductory section and the schedule of expenditures of state awards are presented for purposes of additional analysis and are 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elizabethton City Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elizabethton City Schools' internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, P.C.

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 12, 2018

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

Financial Highlights

The financial status of the Board increased during the year mainly due to the decrease in the liability for pensions. The Board's Net Position increased by 4.5%.

- The total Unrestricted/Unassigned General Purpose fund balance increased by \$93,479; the total School Nutrition fund increased by \$84,217; and the Federal Projects fund remained constant.
- New equipment was purchased for the CTE department from grant funds.
- A new sound system was purchased for the high school gymnasium.
- Two servers were purchased for the system's technology needs.
- The School Nutrition department purchased a new steamer and electric kettle.
- The demolition of the Home Grandstand at the T. A. Dugger Junior High School Stadium was completed.
- An energy project for all schools was in progress.
- Other capital projects were in the planning phase.

Overview of the Financial Statements

This annual report consists of these parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and 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.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

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, 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, 2018**

Financial Analysis of the Board as a Whole

Condensed Statement of Net Position

	<u>Governmental Activities</u>		Total % Change <u>2017-2018</u>
	<u>2017</u>	<u>2018</u>	
Current and Other Assets	5,525,716	5,799,040	4.9%
Capital Assets	20,779,937	20,333,536	-2.1%
Net Pension Asset	<u>24,066</u>	<u>148,981</u>	519.1%
Total Assets	<u>26,329,719</u>	<u>26,281,557</u>	-0.2%
Deferred Outflows of Resources	<u>3,731,932</u>	<u>2,757,840</u>	-26.1%
Current Liabilities	942,311	999,407	6.1%
Long-Term Liabilities	<u>6,577,039</u>	<u>4,859,462</u>	-26.1%
Total Liabilities	<u>7,519,350</u>	<u>5,858,869</u>	-22.1%
Deferred Inflows of Resources	<u>5,504,760</u>	<u>5,369,115</u>	-2.5%
Net Investment in Capital Assets	20,779,937	20,333,536	-2.1%
Restricted	351,167	563,961	60.6%
Unrestricted	<u>(4,093,563)</u>	<u>(3,086,084)</u>	-24.6%
Total Net Position	<u><u>17,037,541</u></u>	<u><u>17,811,413</u></u>	4.5%

Net Position

The Board's Total Assets remained rather constant during the 2017-2018 fiscal year realizing only a 0.2% decrease. Liabilities decreased by 22.1% due to decreases in pension liabilities. More detailed information regarding pensions can be accessed in the Notes and Supplementary Information sections of the audit report.

The Board's financial position is the product of many factors. The most significant factor in 2017-2018 was the decrease in pension liability.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Changes in Net Position from Operating Results

	Governmental Activities		Total % Change 2017-2018
	2017	2018	
Revenues			
Program Revenues			
Charges for Services	618,465	715,676	15.7%
Operating Grants	5,915,385	5,881,661	-0.6%
General Revenues			
Property Taxes	3,222,213	3,191,105	-1.0%
Other Taxes	2,165,913	2,241,136	3.5%
State Revenues	13,030,469	13,462,516	3.3%
Other	272,518	49,209	-81.9%
Total Revenues	25,224,963	25,541,303	1.3%
Expenses			
Instruction	13,784,788	13,749,396	-0.3%
Support Services	8,901,790	9,210,952	3.5%
Food Service	1,085,873	1,110,785	2.3%
Community Services	292,775	233,609	-20.2%
Early Childhood Education	411,384	424,374	3.2%
Total Expenses	24,476,610	24,729,116	1.0%
Increase (Decrease) in Net Position	748,353	812,187	
Beginning Net Position	16,289,188	17,037,541	
Prior Period Restatement	-	(38,315)	
Ending Net Position	17,037,541	17,811,413	

The total cost of all programs and services increased 1.0% to \$24.7 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 food service, community service and early childhood service programs accounted for 7.2% of the expenditures.

Governmental Activities

Revenues for the Board's governmental activities increased by 1.3%, and total expenses increased by 1.0%. The Net Position of the Board increased by \$773,872 or 4.5%.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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 \$1,640,918 which were more than last year's ending fund balances of \$1,325,173. This increase is mainly due to increased revenue in the School Nutrition Fund from Breakfast in the Classroom in the elementary schools and conservative spending in order to set aside funds for technology improvements and energy control projects.

The Board's governmental funds experienced revenues and other sources more than expenditures in 2017 as follows:

General Purpose	\$	231,528
Child Nutrition	\$	84,217
Federal Projects	\$	0

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 \$22,660,376 of revenues and other sources would be received, the Board actually received \$21,774 more than anticipated. The Board budgeted \$22,949,235 of expenditures. The actual expenditures of \$22,463,572 were \$485,663 under budget.

Capital Asset and Debt Administration

At the end of 2018, the Elizabethton City Schools had invested \$20.3 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents a decrease of \$446,401 or 2.1% 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 \$752,028, while building improvements and additions to equipment amounted to \$187,801 (net of decreases).

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		Total % Change <u>2017-2018</u>
	<u>2017</u>	<u>2018</u>	
Land	303,700	303,700	0.0%
Construction In Progress	276,011	395,661	43.3%
Buildings	19,261,020	18,764,100	-2.6%
Equipment and Vehicles	<u>939,206</u>	<u>870,075</u>	-7.4%
Total Assets	<u><u>20,779,937</u></u>	<u><u>20,333,536</u></u>	-2.1%

The Board's fiscal year 2018 capital expenditures consisted of the purchased of various equipment items for the CTE department, school nutrition department and high school gymnasium. Also, the demolition of the Home Grandstands at the T. A. Dugger Junior High Stadium was completed. Construction in Progress included the expenditures for an energy project for all schools, a new soccer practice field and improvements at Elizabethton High School.

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

Providing all students with appropriate academic intervention

Providing for the safety and security of our students

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

Continuing to make improvements as an XQ Super 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, 2018

	Governmental Activities
ASSETS	
Cash	\$ 1,545,213
Accounts Receivable	9,330
Due from Other Governments	1,044,711
Due from Carter County	3,158,535
Inventories	41,251
Capital Assets Not Being Depreciated	
Land	303,700
Construction in Progress	395,661
Capital Assets, Net of Accumulated Depreciation	
Buildings	18,764,100
Equipment	870,075
Net Pension Asset - Teacher Retirement Plan and Legacy Plan	148,981
Total Assets	26,281,557
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to OPEB	294,479
Deferred Outflows Related to Pensions	2,463,361
Total Deferred Outflows of Resources	2,757,840
LIABILITIES	
Accounts Payable	999,407
Long-Term Liabilities	
Due Within One Year	25,459
Due Within More Than One Year:	
Compensated Absences	33,845
OPEB Liability	4,219,276
Net Pension Liability - Agency Plan	580,882
Total Liabilities	5,858,869
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Current Property Tax	3,098,035
Deferred Inflows Related to OPEB	175,755
Deferred Inflows Related to Pensions	2,095,325
Total Deferred Inflows of Resources	5,369,115
NET POSITION	
Net Investment in Capital Assets	20,333,536
Restricted for Operations	414,980
Restricted for Net Pension Asset	148,981
Unrestricted	(3,086,084)
Total Net Position	\$ 17,811,413

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, 2018

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	\$ 13,749,396	505,881	4,326,739	-	(8,916,776)
Support Services	9,210,952	-	142,834	-	(9,068,118)
Food Services	1,110,785	209,795	997,064	-	96,074
Community Services	233,609	-	-	-	(233,609)
Early Childhood Education	424,374	-	415,024	-	(9,350)
Total Governmental Activities	24,729,116	715,676	5,881,661	0	(18,131,779)
General Revenues					
Payments from Carter County					
					3,191,105
					2,154,410
					86,057
					669
					13,462,516
					17,061
					493
					(1,824)
					33,479
					<u>18,943,966</u>
					812,187
					<u>17,037,541</u>
					<u>(38,315)</u>
					<u>16,999,226</u>
					<u>\$ 17,811,413</u>

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, 2018

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
ASSETS				
Cash	\$ 1,074,946	55,006	415,261	1,545,213
Accounts Receivable	4,979	-	4,351	9,330
Due from Other Governments	1,031,434	13,277	-	1,044,711
Due from Carter County	3,158,535	-	-	3,158,535
Inventories	-	-	41,251	41,251
TOTAL ASSETS	\$ 5,269,894	68,283	460,863	5,799,040
LIABILITIES				
Accounts Payable	\$ 951,492	43,283	4,632	999,407
Total Liabilities	951,492	43,283	4,632	999,407
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Current Property Tax	3,098,035	-	-	3,098,035
Deferred Revenues - Unavailable	60,680	-	-	60,680
Total Deferred Inflows of Resources	3,158,715	0	0	3,158,715
FUND BALANCES				
NonSpendable				
Inventories	-	-	41,251	41,251
Committed for				
Education	-	25,000	-	25,000
Restricted for				
Operations of Noninstructional Program	-	-	414,980	414,980
Assigned to				
After School	32,396	-	-	32,396
Back to School Bash	5,253	-	-	5,253
Betsy Book Bus	6,944	-	-	6,944
Capital Outlay	76,165	-	-	76,165
Community Involvement	3,448	-	-	3,448
Energy Control	135,000	-	-	135,000
Special Education Donation	1,000	-	-	1,000
Technology	221,863	-	-	221,863
Unassigned	677,618	-	-	677,618
Total Fund Balances	1,159,687	25,000	456,231	1,640,918
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,269,894	68,283	460,863	5,799,040

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, 2018

Total Fund Balances - Governmental Funds	\$ 1,640,918
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
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 \$33,586,714 and the accumulated depreciation is \$(13,253,178).	20,333,536
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	60,680
OPEB benefits represent liabilities of the School that are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the net OPEB liability, net of deferred inflows and deferred outflows.	(4,100,552)
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.	(63,865)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(59,304)</u>
Total Net Position - Governmental Activities	<u><u>\$ 17,811,413</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, 2018

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
REVENUES				
Payments from County and City	\$ 7,887,276	-	-	7,887,276
Revenue from State of Tennessee	14,239,081	-	9,756	14,248,837
Revenue from Federal Government	-	1,658,033	987,308	2,645,341
Charges for Services	505,881	-	209,795	715,676
Investment Earnings	15,270	-	1,791	17,061
Other	34,642	-	-	34,642
Total Revenues	<u>22,682,150</u>	<u>1,658,033</u>	<u>1,208,650</u>	<u>25,548,833</u>
EXPENDITURES				
Instruction	13,363,061	1,217,110	-	14,580,171
Support Services	8,141,076	427,973	-	8,569,049
Food Services	-	-	1,124,433	1,124,433
Community Services	231,479	-	-	231,479
Early Childhood Education	420,505	-	-	420,505
Capital Outlay	307,451	-	-	307,451
Total Expenditures	<u>22,463,572</u>	<u>1,645,083</u>	<u>1,124,433</u>	<u>25,233,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>218,578</u>	<u>12,950</u>	<u>84,217</u>	<u>315,745</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	17,950	-	-	17,950
Transfers Out	(5,000)	(12,950)	-	(17,950)
Total Other Financing Sources (Uses)	<u>12,950</u>	<u>(12,950)</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	231,528	-	84,217	315,745
FUND BALANCES, JULY 1, 2017	<u>928,159</u>	<u>25,000</u>	<u>372,014</u>	<u>1,325,173</u>
FUND BALANCES, JUNE 30, 2018	<u>\$ 1,159,687</u>	<u>25,000</u>	<u>456,231</u>	<u>1,640,918</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, 2018

Total Net Change in Fund Balances - Governmental Funds \$ 315,745

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 depreciation expense of \$752,028 exceeds capital outlays of \$307,451. (444,577)

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (1,824)

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. (5,704)

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. (7,212)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the net amount of the change in Deferred Outflows of Resources Related to Pensions (\$1,268,571), change in Deferred Inflows of Resources Related to Pensions \$217,587, and the change in Net Pension Asset (Liability) \$2,051,722. 1,000,738

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the net amount of the change in Deferred Outflows of Resources Related to OPEB \$294,479, change in Deferred Inflows of Resources Related to Pensions (\$175,755), and the change in Net OPEB Asset (Liability) (\$163,703). (44,979)

Change in Net Position of Governmental Activities \$ 812,187

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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	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	\$ 2,112,750	2,120,000	2,169,155	49,155
County Property Tax	3,271,050	3,280,750	3,262,445	(18,305)
Other Local Tax	15,800	7,525	5,676	(1,849)
City of Elizabethton				
Contributions	2,400,000	2,450,000	2,450,000	-
Total Payments from County and City	<u>7,799,600</u>	<u>7,858,275</u>	<u>7,887,276</u>	<u>29,001</u>
INTERGOVERNMENTAL REVENUES				
State of Tennessee				
Basic Education Program	13,350,000	13,408,000	13,408,000	-
Driver's Education	12,750	8,150	8,130	(20)
Career Ladder Program	72,705	58,455	54,516	(3,939)
Early Childhood Education	400,701	415,024	415,024	-
Vocational Equipment	-	125,282	125,282	-
Other State Education Funds	463,716	236,460	228,129	(8,331)
Total Intergovernmental Revenues	<u>14,299,872</u>	<u>14,251,371</u>	<u>14,239,081</u>	<u>(12,290)</u>
MISCELLANEOUS REVENUES				
Tuition	503,205	503,205	505,881	2,676
Rental of School Property	500	500	494	(6)
Interest Income	11,000	11,000	15,270	4,270
Donations	35,100	35,100	33,479	(1,621)
Marriage Licenses	625	625	559	(66)
Other Local Revenues	300	300	110	(190)
Total Miscellaneous Revenues	<u>550,730</u>	<u>550,730</u>	<u>555,793</u>	<u>5,063</u>
TOTAL REVENUES	<u>22,650,202</u>	<u>22,660,376</u>	<u>22,682,150</u>	<u>21,774</u>

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	7,262,959	7,107,884	7,095,156	12,728
Career Ladder Program	45,000	31,000	31,000	-
Homebound Teachers	5,000	5,000	3,490	1,510
Educational Assistants	232,029	222,029	221,071	958
Other Salaries and Wages	30,000	64,650	64,610	40
Certified Substitute Teachers	20,000	14,650	14,634	16
Non-Certified Substitute Teachers	115,000	76,000	73,977	2,023
Social Security	464,650	441,357	439,977	1,380
State Retirement	671,014	649,618	649,114	504
Life Insurance	13,345	13,345	13,208	137
Medical Insurance	1,153,000	1,164,000	1,160,518	3,482
Dental Insurance	50,315	47,815	47,082	733
Medicare	107,588	104,447	104,376	71
Other Post-Employment Benefit Payments	69,800	69,800	68,088	1,712
Other Contracted Services	4,000	4,000	116	3,884
Instructional Supplies	130,500	140,750	140,698	52
Textbooks	68,500	67,950	66,122	1,828
Other Supplies and Materials	69,620	100,290	98,334	1,956
Total Instruction - Regular Instruction	10,512,320	10,324,585	10,291,571	33,014
Instruction - Special Education				
Teachers	801,180	766,180	765,116	1,064
Career Ladder Program	2,000	2,000	1,000	1,000
Homebound Teachers	2,000	5,000	4,950	50
Educational Assistants	330,899	297,899	296,322	1,577
Speech Pathologist	159,459	159,459	155,990	3,469
Certified Substitute Teachers	5,000	5,000	3,259	1,741
Non-Certified Substitute Teachers	17,500	17,500	16,704	796
Social Security	79,124	75,124	74,615	509
State Retirement	106,301	101,301	100,879	422
Life Insurance	2,318	2,343	2,335	8
Medical Insurance	229,600	244,100	232,241	11,859
Dental Insurance	11,630	11,280	10,440	840
Medicare	18,779	18,779	17,474	1,305
Other Post-Employment Benefit Payments	16,800	16,800	16,388	412

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Special Education (Continued)				
Other Contracted Services	52,425	59,425	61,090	(1,665)
Instructional Supplies	12,000	13,000	12,170	830
Other Supplies and Materials	2,000	2,000	390	1,610
Special Education Equipment	5,000	7,000	6,934	66
Total Instruction - Special Education	<u>1,854,015</u>	<u>1,804,190</u>	<u>1,778,297</u>	<u>25,893</u>
Instruction - Vocational Education				
Teachers	674,602	680,802	680,623	179
Career Ladder Program	3,000	2,000	1,000	1,000
Certified Substitute Teachers	1,000	1,400	1,350	50
Non-Certified Substitute Teachers	7,500	12,625	12,609	16
Social Security	42,186	40,826	40,679	147
State Retirement	123,050	123,720	61,753	61,967
Life Insurance	1,260	1,270	1,269	1
Medical Insurance	104,900	110,900	106,715	4,185
Dental Insurance	4,435	4,435	4,269	166
Medicare	9,844	9,829	9,552	277
Other Post-Employment Benefit Payments	6,000	6,000	5,853	147
Maintenance and Repair - Equipment	2,500	3,400	3,398	2
Instructional Supplies	24,000	22,850	22,209	641
Other Supplies and Charges	1,000	91,612	1,038	90,574
Total Instruction - Vocational Education	<u>1,005,277</u>	<u>1,111,669</u>	<u>952,317</u>	<u>159,352</u>
Instruction - Student Body				
Other Salaries and Wages	226,000	253,000	252,911	89
Social Security	14,000	15,200	15,156	44
State Retirement	14,000	15,500	15,485	15
Life Insurance	45	45	45	-
Medical Insurance	7,170	7,170	7,084	86
Dental Insurance	315	315	307	8
Employer Medicare	3,275	3,625	3,590	35
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	10,500	41,900	41,898	2
Total Instruction - Student Body	<u>279,705</u>	<u>341,155</u>	<u>340,876</u>	<u>279</u>
Total Instruction Expenditures	<u>13,651,317</u>	<u>13,581,599</u>	<u>13,363,061</u>	<u>218,538</u>
Support Services				
Student Services - Attendance				
Supervisor/Director	1,500	1,500	1,500	-
Secretary(ies)	40,643	40,643	40,643	-
Social Security	2,600	2,600	2,606	(6)
State Retirement	3,627	3,627	3,627	-
Life Insurance	45	45	45	-
Medical	7,170	7,170	6,864	306
Dental	315	315	307	8

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance (Continued)				
Medicare	600	600	609	(9)
Other Supplies and Materials	2,000	6,300	6,280	20
Travel	3,500	4,400	4,387	13
Other Contracted Services	12,000	12,000	11,162	838
Total Student Services - Attendance	74,000	79,200	78,030	1,170
Student Services - Health Services				
Supervisor/Director	58,884	52,649	52,865	(216)
Medical Personnel	182,624	186,624	186,601	23
Social Security	14,880	14,475	14,265	210
State Retirement	20,828	20,383	20,387	(4)
Life Insurance	450	450	450	-
Medical Insurance	58,740	58,655	57,517	1,138
Dental Insurance	2,530	2,522	2,454	68
Medicare	3,430	3,355	3,336	19
Travel	5,750	250	249	1
Other Contracted Services	500	210	207	3
Other Supplies and Materials	6,233	16,636	16,779	(143)
Other Charges	750	750	528	222
In-Service/Staff Development	-	2,270	2,265	5
Total Student Services - Health Services	355,599	359,229	357,903	1,326
Student Services - Other Student Support				
Guidance Personnel	300,815	311,315	311,307	8
Secretaries	107,950	107,950	107,950	-
Other Salaries and Wages	3,000	3,000	3,000	-
Social Security	25,500	25,565	25,283	282
State Retirement	36,860	37,450	37,433	17
Life Insurance	765	765	765	-
Medical Insurance	81,900	82,800	82,760	40
Dental Insurance	3,800	3,800	3,681	119
Medicare	5,950	5,965	5,913	52
Other Post-Employment Benefit Payments	5,700	5,700	5,560	140
Evaluation and Testing	12,000	22,150	22,145	5
Career Ladder Program	-	1,000	1,000	-
Contracts with Other Governments	-	60,910	60,899	11
Other Contracted Services	50,000	3,300	3,300	-
Other Charges	9,000	9,107	7,707	1,400
Total Student Services - Other Student Support	643,240	680,777	678,703	2,074
Total Student Services Support Services	1,072,839	1,119,206	1,114,636	4,570

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Instructional Staff Services				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	146,950	145,775	143,836	1,939
Career Ladder Program	7,000	7,000	6,000	1,000
Librarians	264,387	264,387	264,387	-
Secretary	19,459	19,459	19,458	1
Education Assistants	36,900	36,900	36,729	171
Other Salaries and Wages	103,287	74,287	74,215	72
Social Security	52,634	28,889	28,547	342
State Retirement	62,347	43,202	42,733	469
Life Insurance	800	800	711	89
Medical Insurance	86,500	86,500	78,770	7,730
Dental Insurance	3,660	3,660	3,176	484
Medicare	8,352	8,392	7,429	963
Other Post-Employment Benefit Payments	5,500	5,500	5,365	135
Maintenance and Repair - Equipment	10,900	10,900	10,900	-
Travel	1,000	1,000	874	126
Library Books/Media	36,700	36,700	36,700	-
Other Contracted Services	24,000	24,000	14,935	9,065
Other Supplies and Materials	2,750	9,975	6,052	3,923
In-Service/Staff Development	14,975	18,625	11,620	7,005
Other Charges	16,000	16,000	13,070	2,930
Other Equipment	15,000	17,300	17,253	47
Total Instructional Staff Services - Regular Instruction	919,101	859,251	822,760	36,491
Instructional Staff Services - Special Education				
Supervisor/Director	79,500	83,075	83,074	1
Secretaries	30,482	30,482	30,482	-
Social Security	6,800	6,800	6,682	118
State Retirement	9,835	10,185	10,162	23
Life Insurance	110	110	110	-
Medical Insurance	12,150	12,475	12,466	9
Dental Insurance	505	505	483	22
Medicare	1,575	1,575	1,563	12
Other Post-Employment Benefit Payments	800	800	780	20
Maintenance and Repair - Equipment	1,000	1,000	-	1,000
Travel	2,000	2,000	836	1,164
In-Service/Staff Development	12,000	12,000	10,919	1,081
Other Charges	80,000	102,500	105,217	(2,717)
Total Instructional Staff Services - Special Education	236,757	263,507	262,774	733

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Instructional Staff Services (Continued)				
Instructional Staff Services - Vocational Education				
Supervisor/Director	79,870	79,870	78,820	1,050
Career Ladder Program	1,000	1,000	1,000	-
Secretaries	23,369	23,369	23,369	-
Social Security	6,462	6,462	5,631	831
State Retirement	9,350	9,350	9,255	95
Life Insurance	135	135	135	-
Medical Insurance	17,700	17,700	17,368	332
Dental Insurance	634	634	613	21
Medicare	1,505	1,505	1,317	188
In-Service/Staff Development	3,700	3,700	404	3,296
Total Instructional Staff Services - Vocational Education	143,725	143,725	137,912	5,813
Instructional Staff Services - Technical Services Support				
Supervisor/Director	59,525	77,850	77,829	21
Data Processing Personnel	126,651	126,651	126,651	-
Social Security	11,540	12,640	12,630	10
State Retirement	16,285	17,985	17,946	39
Life Insurance	203	203	203	-
Medical Insurance	26,800	26,800	26,348	452
Dental Insurance	1,185	1,185	1,150	35
Medicare	2,700	2,975	2,954	21
Maintenance and Repair - Equipment	58,000	58,000	15,644	42,356
Internet Connectivity	90,000	130,000	120,415	9,585
Travel	2,000	2,000	2,046	(46)
Other Contracted Services	30,000	30,000	22,778	7,222
Data Processing Supplies	16,000	16,000	780	15,220
In-Service/Staff Development	2,000	3,050	3,050	-
Data Processing Equipment	71,000	71,000	40,463	30,537
Total Instructional Staff Services - Technical Services Support	513,889	576,339	470,887	105,452
Total Instructional Staff Services Support Services	1,813,472	1,842,822	1,694,333	148,489
General Administrative Services				
General Administrative Services - Board of Education				
Secretary to Board	1,500	1,500	1,500	-
Other Salary and Wages	34,330	39,330	39,330	-
Social Security	2,220	2,495	2,482	13

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
General Administrative Services (Continued)				
General Administrative Services -				
Board of Education (Continued)				
State Retirement	3,080	3,880	3,860	20
Life Insurance	45	45	45	-
Medical Insurance	7,170	7,170	7,026	144
Dental Insurance	315	315	307	8
Unemployment Compensation	15,000	11,000	7,168	3,832
Medicare	500	590	581	9
Audit Services	32,800	32,800	32,800	-
Dues and Memberships	8,350	11,050	11,020	30
Legal Services	15,000	15,000	13,538	1,462
Other Contracted Services	12,000	2,500	2,500	-
Liability Insurance	45,000	45,000	44,002	998
Premium on Corporate Surety Bonds	1,350	-	-	-
Trustee Commissions	90,000	90,000	86,918	3,082
Workers' Compensation	180,000	173,350	173,327	23
In-Service/Staff Development	7,750	7,900	7,874	26
Other Charges	3,500	6,500	5,301	1,199
Total General Admin. Services. - Board of Education	459,910	450,425	439,579	10,846
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	111,416	115,826	115,826	-
Career Ladder Program	1,000	1,000	900	100
Secretaries	43,389	43,389	43,388	1
Clerical Personnel	29,702	29,702	29,702	-
Other Salaries and Wages	4,800	4,800	4,800	-
Social Security	11,797	11,822	11,810	12
State Retirement	16,920	17,345	17,313	32
Life Insurance	180	180	180	-
Medical Insurance	29,990	29,990	24,504	5,486
Dental Insurance	1,260	1,260	1,227	33
Medicare	2,760	2,760	2,762	(2)
Advertising	4,000	4,000	1,691	2,309
Communication	53,000	59,000	54,161	4,839
Dues and Memberships	3,500	3,500	2,962	538
Postal Charges	3,000	3,000	1,998	1,002
Printing, Stationery and Forms	1,500	1,500	359	1,141
Travel	425	425	-	425
Other Contracted Services	3,500	6,500	6,105	395

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
General Administrative Services (Continued)				
General Administrative Services -				
Office of the Superintendent (Continued)				
Office Supplies	7,000	7,000	3,286	3,714
In-Service/Staff Development	3,400	3,400	2,766	634
Other Charges	9,500	9,500	8,656	844
Total General Admin. Services. - Office of the Superintendent	<u>342,039</u>	<u>355,899</u>	<u>334,396</u>	<u>21,503</u>
Total General Administrative Services Support Services	<u>801,949</u>	<u>806,324</u>	<u>773,975</u>	<u>32,349</u>
School Administrative Services - Office of the Principal				
Principals	411,108	415,983	415,964	19
Career Ladder Program	3,500	5,300	5,300	-
Assistant Principals	304,556	309,756	309,764	(8)
Secretaries	205,952	208,477	208,461	16
Other Salaries and Wages	119,093	130,218	130,211	7
Social Security	65,124	59,544	59,527	17
State Retirement	90,315	91,905	91,895	10
Life Insurance	1,440	1,440	1,427	13
Medical Insurance	158,450	158,450	165,337	(6,887)
Dental Insurance	7,020	7,020	6,799	221
Medicare	15,176	14,501	14,490	11
Other Post-Employment Benefit Payments	10,400	10,400	10,145	255
Travel	2,000	2,025	1,642	383
Office Supplies	17,225	17,225	16,222	1,003
In-Service/Staff Development	2,500	2,500	150	2,350
Total School Administrative Services - Office of the Principal	<u>1,413,859</u>	<u>1,434,744</u>	<u>1,437,334</u>	<u>(2,590)</u>
Business Administrative Services - Fiscal Services				
Supervisor/Director	84,975	84,255	84,255	-
Accountants/Bookkeepers	81,286	81,286	81,286	-
Secretaries	40,643	40,643	40,643	-
Clerical Personnel	16,640	16,640	16,640	-
Social Security	13,860	13,310	13,291	19
State Retirement	18,190	18,190	18,135	55
Life Insurance	225	225	225	-
Medical Insurance	26,800	28,475	28,468	7
Dental Insurance	1,260	1,260	1,227	33
Medicare	3,240	3,240	3,108	132
Data Processing Services	60,000	61,375	61,376	(1)
Dues and Subscriptions	100	100	-	100
Travel	250	250	249	1
Office Supplies	4,500	4,500	4,248	252
In-Service/Staff Development	2,650	725	701	24
Other Charges	750	750	745	5
Total Business Administrative Services - Fiscal Services	<u>355,369</u>	<u>355,224</u>	<u>354,597</u>	<u>627</u>

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Operation and Maintenance				
Operation and Maintenance - Operation of Plant				
Custodial Personnel	403,000	373,000	362,003	10,997
Social Security	24,900	22,600	21,778	822
State Retirement	29,200	29,200	28,313	887
Life Insurance	810	810	774	36
Medical Insurance	130,300	130,300	125,366	4,934
Dental Insurance	6,065	6,065	5,521	544
Medicare	5,800	5,800	5,093	707
Other Contracted Services	60,000	60,000	53,765	6,235
Custodial Supplies	52,000	54,000	53,163	837
Electricity	460,000	460,000	476,697	(16,697)
Natural Gas	95,000	90,000	86,848	3,152
Water and Sewer	47,000	47,000	38,165	8,835
Boiler Insurance	6,500	6,785	6,785	-
Building and Contents Insurance	127,000	123,625	123,625	-
Other Charges	8,000	8,000	3,687	4,313
Total Operation and Maintenance - Operation of Plant	1,455,575	1,417,185	1,391,583	25,602
Operation and Maintenance - Maintenance of Plant				
Supervisor/Director	22,800	18,575	18,564	11
Maintenance Personnel	227,613	234,113	232,371	1,742
Social Security	15,525	15,525	15,090	435
State Retirement	21,622	21,622	21,263	359
Life Insurance	295	295	288	7
Medical Insurance	43,500	43,500	42,800	700
Dental Insurance	1,975	2,005	1,917	88
Medicare	3,630	3,630	3,529	101
Laundry Service	3,000	4,425	4,408	17
Maintenance and Repair - Buildings	409,000	584,000	566,170	17,830
Maintenance and Repair - Equipment	1,000	3,800	-	3,800
Maintenance and Repair - Vehicles	3,000	3,825	3,806	19
Other Contracted Services	48,000	51,450	51,409	41
Total Operation and Maintenance - Maintenance of Plant	800,960	986,765	961,615	25,150
Total Operation and Maintenance Support Services	2,256,535	2,403,950	2,353,198	50,752
Student Transportation				
Supervisor/Director	2,800	2,800	2,800	-
Mechanics	8,000	16,000	15,456	544
Bus Drivers	121,922	128,732	128,926	(194)
Other Salaries and Wages	14,000	25,050	25,076	(26)
Social Security	9,090	9,625	9,566	59
State Retirement	12,222	13,772	13,985	(213)
Life Insurance	450	450	437	13
Medical Insurance	59,735	56,085	56,000	85
Dental Insurance	3,160	3,160	2,709	451
Medicare	2,120	2,305	2,301	4

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Transportation (Continued)				
Maintenance and Repair - Vehicles	15,000	23,500	23,209	291
Medical and Dental Services	3,000	3,000	1,805	1,195
Diesel Fuel	55,000	42,471	39,946	2,525
Gasoline	15,000	15,000	10,740	4,260
Tires and Tubes	7,500	10,950	10,910	40
Vehicle Parts	15,000	17,550	17,514	36
Vehicle Insurance	39,500	39,500	38,169	1,331
In-Service/Staff Development	1,000	2,250	2,175	75
Other Charges	3,500	11,300	11,279	21
Total Student Transportation	387,999	423,500	413,003	10,497
Total Support Services	8,102,022	8,385,770	8,141,076	244,694
Community Services				
Supervisor/Director	38,050	4,017	4,002	15
Teachers	153,212	92,000	100,651	(8,651)
Other Salaries and Wages	59,816	62,056	62,501	(445)
Social Security	15,608	9,550	10,030	(480)
State Retirement	6,655	5,310	4,843	467
Life Insurance	48	45	50	(5)
Medical Insurance	7,058	285	281	4
Dental Insurance	314	12	12	-
Medicare	10,111	2,305	2,389	(84)
Travel	-	2,000	1,877	123
Food Supplies	7,500	15,500	15,485	15
Other Supplies and Materials	33,400	23,625	23,004	621
Other Charges	7,500	7,500	6,354	1,146
Total Community Services	339,272	224,205	231,479	(7,274)
Early Childhood Education				
Supervisor/Director	59,483	64,415	64,381	34
Teachers	100,382	89,420	89,416	4
Secretary(ies)	17,034	20,185	20,185	-
Educational Assistants	96,963	103,825	103,828	(3)
Other Salaires and Wages	18,559	19,450	19,386	64
Social Security	16,020	18,005	17,888	117
State Retirement	18,495	17,815	18,040	(225)
Life Insurance	378	378	378	-

(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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Early Childhood Education (Continued)				
Medical Insurance	45,200	39,955	39,953	2
Dental Insurance	1,800	1,670	1,669	1
Employer Medicare	4,240	4,210	4,183	27
Travel	2,500	6,000	6,415	(415)
Other Supplies and Materials	8,000	28,146	33,238	(5,092)
Other Equipment	11,647	1,550	1,545	5
Total Early Childhood Education	<u>400,701</u>	<u>415,024</u>	<u>420,505</u>	<u>(5481)</u>
Capital Outlay	<u>92,000</u>	<u>342,637</u>	<u>307,451</u>	<u>35,186</u>
Total Expenditures	<u>22,585,312</u>	<u>22,949,235</u>	<u>22,463,572</u>	<u>485,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,890</u>	<u>(288,859)</u>	<u>218,578</u>	<u>507,437</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	16,182	17,950	17,950	-
Transfers Out	<u>(6,150)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>10,032</u>	<u>12,950</u>	<u>12,950</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	74,922	(275,909)	231,528	507,437
FUND BALANCE, JULY 1, 2017	<u>928,159</u>	<u>928,159</u>	<u>928,159</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ 1,003,081</u>	<u>652,250</u>	<u>1,159,687</u>	<u>507,437</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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
INTERGOVERNMENTAL REVENUES				
Revenues from Federal Government				
Title I	\$ 613,641	845,008	746,792	(98,216)
Title II	76,791	107,940	71,679	(36,261)
Special Education (IDEA)	545,259	578,550	557,545	(21,005)
Special Education (Preschool)	10,782	11,193	10,781	(412)
Vocational Education	41,335	97,474	88,002	(9,472)
Safe and Drug Free School	-	142,834	142,834	-
Other Federal Revenues	38,802	40,398	40,400	2
Total Revenues from Federal Government	<u>1,326,610</u>	<u>1,823,397</u>	<u>1,658,033</u>	<u>(165,364)</u>
TOTAL REVENUES	<u>1,326,610</u>	<u>1,823,397</u>	<u>1,658,033</u>	<u>(165,364)</u>
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	89,918	103,418	101,822	1,596
Educational Assistants	19,827	74,640	55,904	18,736
Other Salaries and Wages	210,754	260,519	260,519	-
Social Security	19,871	26,905	24,936	1,969
State Retirement	27,303	33,061	32,900	161
Life Insurance	540	630	630	-
Medical Insurance	45,820	52,992	53,006	(14)
Dental Insurance	2,102	2,417	2,147	270
Medicare	4,648	6,362	5,887	475
Equipment	7,500	63,870	53,730	10,140
Instructional Supplies and Materials	26,638	71,222	35,384	35,838
Total Instruction - Regular Instruction	<u>454,921</u>	<u>696,036</u>	<u>626,865</u>	<u>69,171</u>
Instruction - Special Education				
Teachers	42,214	42,214	42,214	-
Educational Assistants	426,951	440,128	427,056	13,072
Other Salaries and Wages	5,000	5,000	4,665	335
Social Security	28,583	29,498	26,301	3,197
State Retirement	8,005	8,005	8,038	(33)
Life Insurance	225	225	226	(1)
Medical Insurance	28,909	28,909	28,977	(68)
Dental Insurance	1,265	1,265	1,267	(2)
Medicare	13,680	14,104	6,701	7,403
Other Supplies and Materials	-	1,000	1,067	(67)
Special Education Equipment	-	16,000	15,749	251
Instructional Supplies and Materials	-	1,858	-	1,858
Total Instruction - Special Education	<u>554,832</u>	<u>588,206</u>	<u>562,261</u>	<u>25,945</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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	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	-	-	-
Vocational Instruction Equipment	24,362	27,895	27,984	(89)
Total Instruction - Vocational Education	<u>25,862</u>	<u>27,895</u>	<u>27,984</u>	<u>(89)</u>
 Total Instruction Expenditures	 <u>1,035,615</u>	 <u>1,312,137</u>	 <u>1,217,110</u>	 <u>95,027</u>
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	69,785	74,885	75,265	(380)
Secretary	27,893	27,893	27,893	-
Other Salaries and Wages	29,766	29,766	23,119	6,647
Social Security	7,901	8,217	7,338	879
State Retirement	11,434	11,897	11,266	631
Life Insurance	151	151	151	-
Medical Insurance	14,579	14,579	15,379	(800)
Dental Insurance	645	645	629	16
Employer Medicare	1,848	1,922	1,716	206
Other Supplies and Materials	3,500	10,500	4,368	6,132
In-Service/Staff Development	32,707	64,508	34,343	30,165
Other Equipment	-	11,332	-	11,332
Total Instructional Staff Services - Regular Instruction	<u>200,209</u>	<u>256,295</u>	<u>201,467</u>	<u>54,828</u>
Student Transportation				
Bus Drivers	-	2,700	958	1,742
Social Security	-	167	53	114
State Retirement	-	232	74	158
Employer Medicare	-	39	14	25
Total Student Transportation	<u>-</u>	<u>3,138</u>	<u>1,099</u>	<u>2,039</u>
Other Support Services				
Other Student Support	88,926	238,261	225,407	12,854
Total Other Support Services	<u>88,926</u>	<u>238,261</u>	<u>225,407</u>	<u>12,854</u>
 Total Support Services	 <u>289,135</u>	 <u>497,694</u>	 <u>427,973</u>	 <u>69,721</u>
 TOTAL EXPENDITURES	 <u>1,324,750</u>	 <u>1,809,831</u>	 <u>1,645,083</u>	 <u>164,748</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>1,860</u>	 <u>13,566</u>	 <u>12,950</u>	 <u>(616)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(8,700)	(12,950)	(12,950)	-
Total Other Financing Sources (Uses)	<u>(8,700)</u>	<u>(12,950)</u>	<u>(12,950)</u>	<u>0</u>
 NET CHANGE IN FUND BALANCE	 (6,840)	 616	 -	 (616)
 FUND BALANCE, JULY 1, 2017	 <u>25,000</u>	 <u>25,000</u>	 <u>25,000</u>	 <u>0</u>
 FUND BALANCE, JUNE 30, 2018	 <u>\$ 18,160</u>	 <u>25,616</u>	 <u>25,000</u>	 <u>(616)</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 BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 558,000	582,350	582,478	128
USDA Breakfast Claims	301,000	302,625	302,668	43
Snack Reimbursement	28,950	20,000	19,846	(154)
Commodities	93,500	82,350	82,316	(34)
State Matching	9,350	9,755	9,756	1
Total Intergovernmental Revenues	<u>990,800</u>	<u>997,080</u>	<u>997,064</u>	<u>(16)</u>
Charges for Services				
Meal Payment - Children	97,500	118,600	122,981	4,381
Meal Payment - Adults	20,900	25,300	25,981	681
Income from Breakfast	225	435	449	14
A La Carte Sales	46,650	48,625	48,708	83
Other Charges for Services	6,750	10,775	11,676	901
Total Charges for Services	<u>172,025</u>	<u>203,735</u>	<u>209,795</u>	<u>6,060</u>
Investment Earnings	<u>825</u>	<u>1,800</u>	<u>1,791</u>	<u>(9)</u>
TOTAL REVENUES	<u>1,163,650</u>	<u>1,202,615</u>	<u>1,208,650</u>	<u>6,035</u>
EXPENDITURES				
Food Services				
Supervisor/Director	41,330	41,930	41,930	-
Cafeteria Personnel	306,150	316,650	310,658	5,992
Other Salaries and Wages	4,800	2,300	436	1,864
Social Security	21,870	22,070	20,142	1,928
State Retirement	23,005	25,255	23,994	1,261
Life Insurance	765	765	761	4
Medical Insurance	128,550	122,050	113,785	8,265
Dental Insurance	5,985	5,985	5,470	515
Medicare	5,145	5,210	4,727	483
Maintenance/Repair - Equipment	7,000	8,000	4,291	3,709
Transportation	2,500	2,500	1,972	528
Travel	150	150	157	(7)
Food Supplies	455,500	474,500	436,555	37,945
Office Supplies	2,000	2,000	1,188	812
USDA Commodities	93,500	82,350	82,316	34
Other Supplies and Materials	31,000	38,000	35,467	2,533
In-Service/Staff Development	1,000	1,500	1,250	250
Other Charges	13,400	15,400	13,845	1,555
Equipment	20,000	36,000	25,489	10,511
TOTAL EXPENDITURES	<u>1,163,650</u>	<u>1,202,615</u>	<u>1,124,433</u>	<u>78,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	84,217	84,217
FUND BALANCE, JULY 1, 2017	<u>372,014</u>	<u>372,014</u>	<u>372,014</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2018	<u>\$ 372,014</u>	<u>372,014</u>	<u>456,231</u>	<u>84,217</u>

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, 2018

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 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 segment, 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, 2018

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, 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 programs 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.

During the course of operations, the Board has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 as cash and cash equivalents. The Board of Education does not have any deposits or investments other than cash on deposit with banks.

Receivables

Property taxes receivable from Carter County 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 governmental funds' Balance Sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of fiscal 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 fiscal year-end are reported as assets and as nonspendable in the fund balance section of the governmental 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

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows / Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure). The Schools have 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 assumptions, pension differences in earnings on pension plan investments, pension changes in proportionate share of contributions, as well as contributions made to the OPEB and pension plans after the measurement date.

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 have items that qualify for reporting in this category. These items are from the following: current and delinquent property taxes, OPEB changes in assumptions, and pension changes in experience. 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.

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position/Fund Balance

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.

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 Board or by an official or body to which the Board delegates the authority.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position/Fund Balance (Continued)

- Unassigned fund balance – amounts that are available for any purpose. Deficits are reported only in the General Purpose School Fund.

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

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.

Similarly, the Schools applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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 the Schools' participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Schools' 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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions (Continued)

Teacher Legacy Pension Plan

For purposes of measuring the net pension asset, 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 asset, 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.

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 Balance – Budget and Actual include original and final amended budget amounts. The budgets were legally adopted on a basis consistent with GAAP. Actual expenditures exceeded those budgeted within Early Childhood Education and Community Services division within the General Purpose School Fund by \$5,481 and \$7,274 respectively.

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NOTE 3 - DETAILED NOTES ON ALL FUNDS

Interfund Balances

The composition of interfund balances as of June 30, 2018 is as follows:

Interfund Transfers

Transfer In Fund	Transfer Out Fund	Amount	Purpose
General Purpose School	School Federal Projects	\$ 12,950	Reimbursement for Indirect Costs

Deposits and Investments

Cash includes cash on hand and demand deposits.

DEPOSITS - State statutes require 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. At June 30, 2018, there are no investments.

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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 \$1,545,213 and the bank balance was \$1,710,048.

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
Accounts Receivable	\$ 4,979	-	4,351	9,330
Carter County, Tax Allocation	3,158,535	-	-	3,158,535
Due from Other Governments Federal and State	<u>1,031,434</u>	<u>13,277</u>	<u>-</u>	<u>1,044,711</u>
Total Receivables	<u>\$ 4,194,948</u>	<u>13,277</u>	<u>4,351</u>	<u>4,212,576</u>

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 303,700	-	-	303,700
Construction in Progress	276,011	216,889	(97,239)	395,661
Total Capital Assets, Not Being Depreciated	<u>579,711</u>	<u>216,889</u>	<u>(97,239)</u>	<u>699,361</u>
Capital Assets, Being Depreciated				
Buildings	30,674,183	97,239	-	30,771,422
Equipment	2,061,858	90,562	(36,489)	2,115,931
Total Capital Assets, Being Depreciated	<u>32,736,041</u>	<u>187,801</u>	<u>(36,489)</u>	<u>32,887,353</u>
Less Accumulated Depreciation For				
Buildings	(11,413,163)	(594,159)	-	(12,007,322)
Equipment	(1,122,652)	(157,869)	34,665	(1,245,856)
Total Accumulated Depreciation	<u>(12,535,815)</u>	<u>(752,028)</u>	<u>34,665</u>	<u>(13,253,178)</u>
Net Capital Assets, Being Depreciated	<u>20,200,226</u>	<u>(564,227)</u>	<u>(1,824)</u>	<u>19,634,175</u>
Net Capital Assets	<u>\$ 20,779,937</u>	<u>(347,338)</u>	<u>(99,063)</u>	<u>20,333,536</u>

Depreciation expense is charged to Support Services in the Statement of Activities.

Construction Commitments

At June 30, 2018, the Schools had uncompleted construction contracts of approximately \$276,172 for capital projects.

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

Long-Term Liabilities

Changes in the Schools' long-term liabilities relating to compensated absences for the fiscal year ended June 30, 2018 are as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental Activities Compensated Absences	\$ 52,092	25,459	18,247	59,304	25,459
Governmental Activities Long-Term Liabilities	<u>\$ 52,092</u>	<u>25,459</u>	<u>18,247</u>	<u>59,304</u>	<u>25,459</u>

Information for other long-term liabilities such as the Net Pension Liability and the OPEB Liability are detailed within Note 4.

NOTE 4 - OTHER INFORMATION

Risk Management

The Schools purchase commercial insurance for the risks of loss for general liability, and 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 TML Pool has the ability to assess members. Contributions (premiums) from members are used in part to purchase reinsurance to cover losses that exceed TML Pool's loss fund.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Agency Plan

General Information about the Pension Plan

Plan Description

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

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

Agency Plan

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	123
Inactive employees entitled to but not yet receiving benefits	171
Active employees	<u>112</u>
	<u><u>406</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Elizabethton 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, 2018, the employer contributions for the Elizabethton City Board of Education were \$212,966 based on a rate of 8.59 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Elizabethton City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The Elizabethton City Board of Education's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

Agency Plan

Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

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

Agency Plan (Continued)

Net Pension Liability (Continued)

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

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

Discount Rate

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Agency Plan (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability

	Increase (Decrease) Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2016	<u>\$ 8,817,279</u>	<u>8,076,729</u>	<u>740,550</u>
Changes for the fiscal year:			
Service Cost	214,734	-	214,734
Interest	661,037	-	661,037
Differences Between Expected and Actual Experience	(47,774)	-	(47,774)
Changes in Assumptions	223,457	-	223,457
Contributions - Employer	-	195,529	(195,529)
Contributions - Employees	-	117,647	(117,647)
Net Investment Income	-	907,747	(907,747)
Benefit Payments, Including Refunds of Employee Contributions	(436,369)	(436,369)	-
Administrative Expense	-	(9,801)	9,801
Net Changes	<u>615,085</u>	<u>774,753</u>	<u>(159,668)</u>
Balance at 6/30/2017	<u><u>\$ 9,432,364</u></u>	<u><u>8,851,482</u></u>	<u><u>580,882</u></u>

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

Agency Plan (Continued)

Changes in the Net Pension Liability (Continued)

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

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools' Net Pension Liability (Asset)	\$ 1,770,326	580,882	(417,140)

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

Pension Expense

For the year ended June 30, 2018, the Elizabethton City Board of Education recognized pension expense of \$88,074.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Elizabethton City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Agency Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 3,424	121,188
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	388
Changes in Assumptions	167,593	
Contributions Subsequent to the Measurement Date of June 30, 2017	<u>212,966</u>	<u>-</u>
	<u>\$ 383,983</u>	<u>121,576</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Fiscal Year Ended June 30:	
2019	\$ (79,084)
2020	130,465
2021	59,453
2022	(61,393)
2023	-
Thereafter	-

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Agency Plan (Continued)

Payable to the Pension Plan

At June 30, 2018, the Elizabethton City Board of Education reported a payable of \$24,316 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Teacher Retirement Pension Plan

General Information about the Pension Plan

Plan Description

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

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

Benefits Provided

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

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The 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 in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Elizabethton City Schools for the year ended June 30, 2018 to the Teacher Retirement Pension Plan were \$68,095 which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Retirement Pension Plan (Continued)

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

Pension Liabilities (Assets)

At June 30, 2018, the Elizabethton City Schools reported a liability (asset) of (\$53,715) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. The Elizabethton City School's proportion of the net pension liability was based on the Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the Elizabethton City School's proportion was 0.203596 percent. The proportion measured as of June 30, 2016 was 0.231179 percent.

Pension Expense

For the year ended June 30, 2018, the Elizabethton City Schools recognized pension expense of \$24,660.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the 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
Differences Between Expected and Actual Experience	\$ 1,883	4,040
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,890
Changes in Assumptions	4,719	
Changes in Proportion of Net Pension Liability (Asset)	3,997	-
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	68,095	-
	\$ 78,694	6,930

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Retirement Pension Plan (Continued)

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

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

The Elizabethton City Schools employer contributions of \$68,095, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30:		
2019	\$	39
2020		39
2021		(126)
2022		(870)
2023		493
Thereafter		4,094

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Retirement Pension Plan (Continued)

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

Actuarial Assumptions (Continued)

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

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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

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

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Retirement Pension Plan (Continued)

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

Discount Rate

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

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

The following presents the Elizabethton City School's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 10,717	(53,715)	(100,978)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the Elizabethton City Schools reported a payable of \$15,049 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan

General Information about the Pension Plan

Plan Description

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

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 change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan

General Information about the Pension Plan (Continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The 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, 2018 to the Teacher Legacy Pension Plan were \$906,878 which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Liabilities (Assets)

At June 30, 2018, the Elizabethton City Schools reported a liability (asset) of (\$95,266) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. The Elizabethton City School's proportion of the net pension liability was based on the Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the Elizabethton City School's proportion was 0.291174 percent. The proportion measured as of June 30, 2016 was 0.282767 percent.

Pension Expense

For the year ended June 30, 2018, the Elizabethton City Schools recognized pension expense of \$70,962.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, Elizabethton City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 57,434	1,966,819
Changes in Assumptions	806,857	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,461	-
Changes in Proportion of Net Pension Liability (Asset)	215,054	-
Contributions Subsequent to the Measurement Date of June 30, 2017	906,878	-
	\$ 2,000,684	1,966,819

The Elizabethton City School's employer contributions of \$906,878 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30:	
2019	\$ (611,825)
2020	362,776
2021	(175,656)
2022	(448,308)
2023	-
Thereafter	-

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan (Continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan (Continued)

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

Actuarial Assumptions (Continued)

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

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

Discount Rate

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

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

The following presents the Elizabethton Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Teacher Legacy Plan (Continued)

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

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Elizabethton City Schools' proportionate share of the Net Pension Liability (Asset)	\$ 8,548,178	(95,266)	(7,239,644)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the Elizabethton City Schools reported a payable of \$199,787 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Other Post-Employment Healthcare Plans

Teacher Group Plan

General Information about the OPEB Plan

Plan Description

Employees of the Elizabethton Board of Education who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide post-employment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plans (Continued)

Teacher Group Plan (Continued)

General Information about the OPEB Plan

Benefits Provided

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

Employees Covered by Benefit Terms

At July 1, 2017, the following employees of the Elizabethton Board of Education were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	294
	328
	328

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Elizabethton Board of Education paid \$294,479 to the TGOP for OPEB benefits as they came due.

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Teacher Group Plan (Continued)

Total OPEB Liability

Actuarial Assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

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

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Teacher Group Plan (Continued)

Total OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2016	\$ 6,052,671
Changes for the fiscal year:	
Service Cost	323,771
Interest	181,096
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	(274,640)
Benefit Payments	(349,040)
Net Changes	(118,813)
Balance at 6/30/2017	\$ 5,933,858
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 1,714,582
 Employer's proportionate share of the collective total OPEB liability	 \$ 4,219,276
 Employer's proportion of the collective total OPEB liability	 71.11%

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Teacher Group Plan (Continued)

Changes in Collective Total OPEB Liability (Continued)

The Elizabethton Board of Education has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The Elizabethton Board of Education's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.00% from the prior measurement date. The Elizabethton Board of Education recognized \$137,945 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for The Elizabethton Board of Education's retirees.

Changes in Assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
	<u> </u>	<u> </u>	<u> </u>
Proportionate share of collective total OPEB liability	\$ 4,527,503	4,219,276	3,928,527

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Teacher Group Plan (Continued)

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

	1% Decrease (6.50% decreasing to 2.71%)	Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)	1% Increase (8.50% decreasing to 4.71%)
Proportionate share of collective total OPEB liability	\$ 3,765,731	4,219,276	4,756,586

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

OPEB Expense

For the fiscal year ended June, 30, 2018, the Elizabethton Board of Education recognized OPEB expense of \$477,403.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June, 30, 2018, the Elizabethton Board of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions and Other Inputs	\$ -	175,755
Benefits Paid After the Measurement Date by Employer	294,479	-
	<u>\$ 294,479</u>	<u>175,755</u>

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

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Teacher Group Plan (Continued)

Fiscal Year Ended June 30:	
2019	\$ (19,528)
2020	(19,528)
2021	(19,528)
2022	(19,528)
2023	(19,528)
Thereafter	(78,115)

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

Closed Tennessee Plan

General Information about the OPEB Plan

Plan Description

Employees of the Elizabethton Board of Education, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide post-employment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Benefits Provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only post-employment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Closed Tennessee Plan (Continued)

General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2017, the following employees of the Elizabethton Board of Education were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	48
Inactive employees entitled to but not yet receiving benefit payments	29
Active employees	206
	283
	283

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Closed Tennessee Plan (Continued)

Total OPEB Liability

Actuarial Assumptions

The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

ELIZABETHTON CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Closed Tennessee Plan (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2016	\$ 686,932
Changes for the fiscal year:	
Service Cost	15,870
Interest	20,150
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	(59,301)
Benefit Payments	(25,500)
Net Changes	(48,781)
 Balance at 6/30/2017	 \$ 638,151
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 638,151
 Employer's proportionate share of the collective total OPEB liability	 \$ -
 Employer's proportion of the collective total OPEB liability	 0.00%

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 4 - OTHER INFORMATION (CONTINUED)

Other Post-Employment Healthcare Plan (Continued)

Changes in Assumptions

The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

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

OPEB Expense

For the fiscal year ended June 30, 2018, the Elizabethton Board of Education recognized OPEB expense of \$30,090.

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

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

NOTE 5 - ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017* were implemented for the fiscal year ended June 30, 2018. GASB 75 establishes methods for measuring and recognizing other post-employment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The net position has been restated to reflect the change in accounting principle. The impact of this restatement is a decrease to beginning net position of \$38,315 for the net effect of recording the beginning total OPEB liability and removing the prior net OPEB obligation. GASB 85 addresses issues related to reporting postemployment benefits.

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	2015	2016	2017
TOTAL PENSION LIABILITY				
Service Cost	\$ 203,227	206,173	212,921	214,734
Interest	603,524	606,661	629,301	661,037
Changes in Benefit Terms	-	-	-	-
Differences Between Actual and Expected Experience	(336,885)	(71,927)	6,848	(47,774)
Change of Assumptions	-	-	-	223,457
Benefit Payments, Including Refunds of Employee Contributions	(389,506)	(472,481)	(419,093)	(436,369)
NET CHANGE IN TOTAL PENSION LIABILITY	80,360	268,426	429,977	615,085
TOTAL PENSION LIABILITY - BEGINNING	8,038,516	8,118,876	8,387,302	8,817,279
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 8,118,876</u>	<u>8,387,302</u>	<u>8,817,279</u>	<u>9,432,364</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 186,419	194,363	192,765	195,529
Contributions - Employee	112,436	116,946	115,985	117,647
Net Investment Income	1,132,859	240,557	209,788	907,747
Benefit Payments, Including Refunds of Employee Contributions	(389,506)	(472,481)	(419,093)	(436,369)
Administrative Expense	(4,231)	(5,700)	(7,271)	(9,801)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,037,977	73,685	92,174	774,753
PLAN FIDUCIARY NET POSITION - BEGINNING	6,872,893	7,910,870	7,984,555	8,076,729
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 7,910,870</u>	<u>7,984,555</u>	<u>8,076,729</u>	<u>8,851,482</u>
NET PENSION LIABILITY - ENDING (a) - (b)	<u>\$ 208,006</u>	<u>402,747</u>	<u>740,550</u>	<u>580,882</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	97.44%	95.20%	91.60%	93.84%
COVERED PAYROLL	\$ 2,248,707	2,338,905	2,319,681	2,354,007
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	9.25%	17.22%	31.92%	24.68%

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

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

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

	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 186,419	194,363	192,765	195,529	212,966
Contributions in relation to the actuarially determined contribution	186,419	194,363	192,765	195,529	212,966
Contribution deficiency (excess)	\$ -	0	0	0	0
Covered payroll	\$ 2,248,707	2,338,905	2,319,681	2,354,007	2,479,239
Contributions as a percentage of covered payroll	8.29%	8.31%	8.31%	8.31%	8.59%

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

Notes To Schedule

Valuation date : Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.00 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - TEACHER LEGACY
PENSION PLAN OF TCRS
Fiscal Year Ended June 30*

	2014	2015	2016	2017
Elizabethton City Schools' proportion of the net pension liability (asset)	0.266606%	0.271131%	0.282767%	0.291175%
Elizabethton City Schools' proportionate share of the net pension liability (asset)	\$ (43,322)	111,065	1,767,139	(95,266)
Elizabethton City Schools' covered payroll	\$ 10,464,264	10,149,813	10,207,349	10,358,477
Elizabethton City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.414002%	1.094254%	17.31%	-0.92%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

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

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
Last Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
Contractually Required	\$ 929,227	917,543	922,743	930,473	906,878
Contribution in relation to the contractually required contribution	929,227	917,543	922,743	930,473	906,878
Contribution deficiency (excess)	\$ -	0	0	0	0
Covered payroll	\$ 10,464,264	10,149,813	10,207,349	10,358,447	9,986,898
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	8.98%	9.08%

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

See Independent Auditors' Report.

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

	2015	2016	2017
Elizabethton City Schools' proportion of the net pension liability (asset)	0.267838%	0.231179%	0.203596%
Elizabethton City Schools' proportionate share of the net pension liability (asset)	\$ (11,002)	(24,066)	(53,715)
Elizabethton City Schools' covered payroll	\$ 568,226	1,017,201	1,270,687
Elizabethton City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.23%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

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

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

	2015	2016	2017	2018
Contractually required contribution	\$ 14,206	25,463	53,451	68,095
Contribution in relation to the contractually required contribution	22,729	40,688	53,451	68,095
Contribution deficiency (excess)	<u>\$ (8,523)</u>	<u>(15,225)</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 568,226	1,017,201	1,270,687	1,702,384
Contributions as a percentage of covered payroll	4.00%	4.00%	4.21%	4.00%

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

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CHANGES IN ELIZABETHTON CITY SCHOOLS PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - TEACHER GROUP OPEB PLAN
Last Fiscal Year Ending June 30

	2017
TOTAL OPEB LIABILITY	
Service Cost	\$ 323,771
Interest	181,096
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	-
Change of Assumptions	(274,640)
Benefit Payments	(349,040)
NET CHANGE IN TOTAL OPEB LIABILITY	(118,813)
TOTAL OPEB LIABILITY - BEGINNING	6,052,671
TOTAL OPEB LIABILITY - ENDING (a)	\$ 5,933,858
NONEMPLOYER CONTRIBUTING ENTITIES PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY	\$ 1,714,582
EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY	\$ 4,219,276
COVERED PAYROLL	\$ 9,854,304
EMPLOYER'S PROPORTIONATE SHARE OF COLLECTIVE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	42.82%

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

See Independent Auditors' Report.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF CHANGES IN ELIZABETHTON CITY SCHOOLS PROPORTIONATE SHARE OF
COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - TENNESSEE CLOSED PLAN
Last Fiscal Year Ending June 30

	2017
TOTAL OPEB LIABILITY	
Service Cost	\$ 15,870
Interest	20,150
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	-
Change of Assumptions	(59,301)
Benefit Payments	(25,500)
NET CHANGE IN TOTAL OPEB LIABILITY	(48,781)
TOTAL OPEB LIABILITY - BEGINNING	686,932
TOTAL OPEB LIABILITY - ENDING (a)	\$ 638,151
NONEMPLOYER CONTRIBUTING ENTITIES PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY	\$ 638,151
EMPLOYER'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OPEB LIABILITY	\$ -
COVERED PAYROLL	\$ 9,854,304
EMPLOYER'S PROPORTIONATE SHARE OF COLLECTIVE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.00%

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

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, 2018

CFDA Number	Pass-Through Grant Number	Program Name	Grantor Agency	Balance July 1, 2017	Cash Receipts	Expenditures	Balance June 30, 2018
<u>School Federal Projects Fund</u>							
Pass-Through State Department of Education							
84.048	V048A170042	Carl Perkins - Basic (CTE Program Improvements)	U.S. Department of Education	\$ -	40,399	40,399	-
IDEA Cluster							
84.027	H027A160052	IDEA, Part B	U.S. Department of Education	(4,908)	4,908	-	-
84.027	H027A170052	IDEA, Part B	U.S. Department of Education	-	534,664	534,664	-
84.027	H027A160052	IDEA, Part B - Discretionary Supplemental Funds	U.S. Department of Education	(250)	250	-	-
84.027	H027A170052	IDEA, Part B - Discretionary Supplemental Funds	U.S. Department of Education	-	5,774	6,066	(292) *
84.027	H027A170052	IDEA, Part B - Discretionary Funds - TRN	U.S. Department of Education	-	16,816	16,816	-
84.027	H027A160052	IDEA, Part B - Discretionary Funds - LRE	U.S. Department of Education	(2,858)	2,858	-	-
84.173	H713A170095	IDEA, Preschool	U.S. Department of Education	-	10,781	10,781	-
		Total IDEA Cluster		<u>(8,016)</u>	<u>576,051</u>	<u>568,327</u>	<u>(292) *</u>
84.010	S010A160042	Title I, Part A	U.S. Department of Education	(11,123)	11,123	-	-
84.010	S010A170042	Title I, Part A	U.S. Department of Education	-	744,165	746,792	(2,627) *
		Total Title I, Part A		<u>(11,123)</u>	<u>755,288</u>	<u>746,792</u>	<u>(2,627) *</u>
84.367	S367A160040	Title II, Part A	U.S. Department of Education	(185)	185	-	-
84.367	S367A170040	Title II, Part A	U.S. Department of Education	-	70,768	71,679	(911) *
		Total Title II, Part A		<u>(185)</u>	<u>70,953</u>	<u>71,679</u>	<u>(911) *</u>
84.424	S424A170044	Title IV, Part A	U.S. Department of Education	-	15,218	15,278	(60) *
84.287	S287C160043	Title IV, Part B, 21st Century Community Learning Centers	U.S. Department of Education	(12,975)	12,975	-	-
84.287	S287C170043	Title IV, Part B, 21st Century Community Learning Centers	U.S. Department of Education	-	142,834	142,834	-
		Total Title IV, Part B, 21st Century Community Learning Centers		<u>(12,975)</u>	<u>155,809</u>	<u>142,834</u>	<u>0</u>

(Continued)

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, 2018

CFDA Number	Pass-Through Grant Number	Program Name	Grantor Agency	Balance July 1, 2017	Cash Receipts	Expenditures	Balance June 30, 2018
Pass-Through Tennessee Department of Human Services							
93.575	G1601TNCCDF	Read to be Ready Summer Grant	Department of Human Services	(9,926)	9,926	-	-
93.575	G1701TNCCDF	Read to be Ready Summer Grant	Department of Human Services	-	22,380	31,767	(9,387) *
		Total Read to be Ready Summer Grant		<u>(9,926)</u>	<u>32,306</u>	<u>31,767</u>	<u>(9,387) *</u>
84.126	Z17-50717	Vocational Rehabilitation	Department of Human Services	(10,559)	10,559	-	-
84.126	Z18-50718	Vocational Rehabilitation	Department of Human Services	-	40,957	40,957	-
		Total Vocational Rehabilitation		<u>(10,559)</u>	<u>51,516</u>	<u>40,957</u>	<u>0</u>
Total School Federal Projects Fund				<u>(52,784)</u>	<u>1,697,540</u>	<u>1,658,033</u>	<u>(13,277) *</u>
<u>School Nutrition Fund</u>							
Pass-Through Tennessee Department of Agriculture							
Child Nutrition Cluster							
10.553	[1]	National School Breakfast Program	U.S. Department of Agriculture	-	302,668	302,668	-
10.555	[1]	National School Lunch Program	U.S. Department of Agriculture	-	582,478	582,478	-
10.555	[1]	National Snack Reimbursement	U.S. Department of Agriculture	-	17,928	17,928	-
10.555	[1]	USDA: Rebate of Storage and Distribution Fees	Tennessee Department of Agriculture	-	1,918	1,918	-
10.555	[1]	USDA: Commodity Supplemental Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	82,316	82,316	-
		Total Child Nutrition Cluster		<u>0</u>	<u>987,308</u>	<u>987,308</u>	<u>0</u>
Total School Nutrition Fund				<u>0</u>	<u>987,308</u>	<u>987,308</u>	<u>0</u>
TOTAL FEDERAL AWARDS				<u>\$ (52,784)</u>	<u>2,684,848</u>	<u>2,645,341</u>	<u>(13,277)</u>

* Receivable

** Unused Revenue

(Continued)

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, 2018

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elizabethton City Schools under programs of the federal government for the fiscal year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Elizabethton City Schools, it is not intended to and does not present the financial position or changes in net position of the Elizabethton City Schools.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: 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.

NOTE D: INDIRECT COST RATES

Elizabethton City Schools has not elected to use the 10 percent *de Minimis* indirect cost rate as allowed under the Uniform Guidance.

[1] Information not available

See Independent Auditors' Report

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, 2018

CFDA Number	Program Name	Grantor Agency	Balance July 1, 2017	Cash Receipts	Expenditures	Balance June 30, 2018
<u>General Purpose School Fund</u>						
N/A	Coordinated School Health	Tennessee Department of Education	\$ -	85,000	85,000	-
N/A	Vocational Equipment	Tennessee Department of Education	-	125,282	125,282	-
N/A	ConnectTenn	Tennessee Department of Education	(86)	6,617	6,531	-
N/A	Early Childhood Grant	Tennessee Department of Education	-	409,222	415,024	(5,802) *
N/A	Basic Education Program	Tennessee Department of Education	-	13,408,000	13,408,000	-
N/A	Driver's Education	Tennessee Department of Education	-	-	8,130	(8,130) *
N/A	Career Ladder	Tennessee Department of Education	(9,569)	63,034	54,516	(1,051) *
N/A	Read to be Ready Coaching Network	Tennessee Department of Education	(698)	10,502	10,769	(965) *
N/A	Teacher Leader Network	Tennessee Department of Education	5,361	89	5,450	-
N/A	SAFE Schools Grant	Tennessee Department of Education	-	13,560	13,560	-
N/A	Other State Funds	Tennessee Department of Education	-	112,180	112,180	-
Total General Purpose School Fund			<u>(4,992)</u>	<u>14,233,486</u>	<u>14,244,442</u>	<u>(15,948) *</u>
<u>School Nutrition Fund</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	9,756	9,756	-
Total School Nutrition Fund			<u>0</u>	<u>9,756</u>	<u>9,756</u>	<u>0</u>
TOTAL STATE GRANTS			<u>\$ (4,992)</u>	<u>14,243,242</u>	<u>14,254,198</u>	<u>(15,948) *</u>

* Receivable ** Unused Revenue

See Independent Auditors' Report.

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities 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, 2018, 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 December 12, 2018.

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, P.C.

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 12, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 year ended June 30, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blackburn, Childers & Steagall, P.C.

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 12, 2018

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. Our report on the financial statements of the Elizabethton City Schools is unmodified.

2. Internal Control Over Financial Reporting:
Material weakness identified? No
Significant deficiency identified? None Reported

3. Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

4. Internal control over major federal programs:
Material weakness identified? No
Significant deficiency identified? None Reported

5. Type of report auditor issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major federal programs:

CFDA Numbers: 84.010 Title I, Part A

8. Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

9. Auditee qualified as low-risk auditee? Yes

SECTION II - CURRENT YEAR AUDIT FINDINGS

None Reported

SECTION III - PRIOR YEAR AUDIT FINDINGS

None Reported