



ELIZABETHTON MUNICIPAL GOLF COURSE

**A COMPONENT UNIT OF THE
CITY OF ELIZABETHTON, TENNESSEE**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

ELIZABETHTON MUNICIPAL GOLF COURSE

A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE

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For the Year Ended June 30, 2015

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A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
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SECTION I

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Elizabethton Municipal Golf Course
Elizabethton, Tennessee 37643

Report on the Financial Statements

We have audited the accompanying financial statements of the Elizabethton Municipal Golf Course (the Golf Course), component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Golf Course's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the presentation 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Golf Course, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Golf Course has continued to experience financial difficulties and has a deficit in unrestricted net position at year end.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 an opinion on the financial statements that comprise the Golf Course's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Golf Course's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Golf Course's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

**Elizabethton Municipal Golf Course
Management's Discussion and Analysis
June 30, 2015**

The following is the Elizabethton Municipal Golf Course (the Golf Course) Board of Director's Discussion and Analysis (MD&A) of the financial statements and supporting documents for the Golf Course, a component unit of the City of Elizabethton, Tennessee for the fiscal year ended June 30, 2015.

This MD&A should be read in conjunction with the financial statements and all supporting documents that follow this analysis.

The Elizabethton Golf Course is a component unit of the City of Elizabethton governed by a separate Board of Directors at the will of Elizabethton City Council. The Board of Directors is responsible for the establishment of policies and procedures of the Golf Course. The Board also contracts with a Golf Professional/Manager to manage the operations of the Golf Course.

Overview of the Financial Statements

The annual report consists of two sections. Section I includes the independent auditors' report, the basic financial statements, including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the notes to the basic financial statements. Section II includes the internal control and compliance.

The financial statements are prepared using the accrual basis of accounting. All short-term assets and long-term assets are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Golf Course Highlights

The Golf Course memberships decreased slightly in fiscal year 2015. The golf course lost some members and gained others. Most all areas of revenue collection decreased. On the positive side, expenses were down 9% in fiscal year 2015.

One reason play decreased was the fact the Golf Course had a bad winter and the course suffered what is called "Winter Kill". Golf Course fairways, like the ones at the Golf Course, have a high probability of dying in spots when the weather is extremely cold for long periods of time like the winter of fiscal year 2015. The Golf Course suffered with this winter kill and that kept players away until late into the summer. The golf course has rebounded now because of re-sodding the more damaged areas with new zoysia sod purchased in late spring.

As a total, operating expenses decreased in fiscal year 2015. This was mainly due to a decrease in bank fees, fuel charges, insurance costs and salaries and wages. This is a very positive moving into fiscal year 2016. With the course in much better condition, the Board expects rounds played to increase. The Board also plans to restructure pricing which will more fairly balance the cost to customers. Also, changes in Tee-time options and reducing the number of people in a group from five to four will encourage more visitors to the Golf Course.

**Elizabethton Municipal Golf Course
Management's Discussion and Analysis
June 30, 2015**

Financial Position Summary	<u>2015</u>	<u>2014</u>
Current Assets	\$ 121,555	96,258
Property, Plant, and Equipment (Net)	<u>514,748</u>	<u>578,340</u>
Total Assets	<u>636,303</u>	<u>674,598</u>
Current Liabilities	167,587	165,014
Long-Term Liabilities	<u>56,184</u>	<u>84,390</u>
Total Liabilities	<u>223,771</u>	<u>249,404</u>
Net Investment in Capital Assets	423,236	456,760
Restricted	875	725
Unrestricted (Deficit) Net Position	<u>(11,579)</u>	<u>(32,291)</u>
Total Net Position	<u>412,532</u>	<u>425,194</u>
Total Liabilities and Net Position	<u>\$ 636,303</u>	<u>674,598</u>

Capital Assets

The following chart highlights the capital assets for fiscal year 2015 and 2014.

Capital Assets	<u>2015</u>	<u>2014</u>
Building and Building Improvements	\$ 6,261	7,957
Machinery and Equipment	92,881	130,231
Course Improvements	<u>415,606</u>	<u>440,152</u>
Total Capital Assets	<u>\$ 514,748</u>	<u>578,340</u>

Assets are shown above net of accumulated depreciation.

**Elizabethton Municipal Golf Course
Management's Discussion and Analysis
June 30, 2015**

Debt

The Golf Course maintains Capital Leases and Operational Leases to help with financing equipment necessary for the operations and maintenance of the course.

Capital leases are for Turf equipment to maintain the course which consists of mowers, turf vehicle with sprayer attachment and a utility vehicle with dump bed. The cost of the asset is recorded in depreciation expense and the related schedule is located on page 17 of the Notes to the Financial Statements.

Operational leases are for the driving range and golf carts. The information for these two items can be found beginning on Page 19 of the Notes to the Financial Statements.

Summary of Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating Revenue		
Cart Rentals	\$ 40,733	39,914
Green Fees	170,853	206,850
Membership Dues	163,130	161,108
Trail Fees	-	120
Cart Storage Fees	37	64
Driving Range Income	21,323	22,858
Locker and Club Rental	709	869
Tournaments	32,939	36,045
Other Income	1,161	21,506
Outing Income	57,219	57,490
USGA Handicap	569	850
Pro Shop Income	15,923	11,449
Vending	27,788	36,094
Contribution	<u>50,000</u>	<u>-</u>
 Total Operating Revenues	 582,384	 595,217

**Elizabethton Municipal Golf Course
Management's Discussion and Analysis
June 30, 2015**

Summary of Changes in Net Position (continued)

	2015	2014
Operating Expenses		
Wages and Employee Benefits	224,217	229,517
Repairs and Maintenance	101,848	115,286
Insurance-General	12,720	14,526
Utilities	33,573	32,430
Fuel Purchase	21,066	30,848
Administrative and General	51,572	53,489
Handicap Service	706	691
Penalties and Interest	-	919
Club House Expense	897	438
Rent and Rental Expense	13,500	13,500
Leases	32,046	27,750
Depreciation	73,595	76,907
Sales and Marketing	1,305	1,275
Professional Services	16,187	19,646
Bank Fees	6,755	10,294
	<u>589,987</u>	<u>627,516</u>
Total Operating Expenses		
	<u>(7,603)</u>	<u>(32,299)</u>
Net Operating Income (Loss)		
NONOPERATING REVENUES(EXPENSES)		
Interest Income	35	105
Interest Expense	<u>(5,094)</u>	<u>(6,160)</u>
TOTAL NONOPERATING REVENUES(EXPENSES)	<u>(5,059)</u>	<u>(6,055)</u>
NET INCOME (LOSS) BEFORE SPECIAL ITEM	<u>(12,662)</u>	<u>(38,354)</u>
SPECIAL ITEM		
Forgiveness of Debt	<u>-</u>	<u>121,589</u>
TOTAL SPECIAL ITEM	<u>0</u>	<u>121,589</u>
Net Position, Beginning	<u>425,194</u>	<u>341,959</u>
Net Position, Ending	<u>\$ 412,532</u>	<u>425,194</u>

**Elizabethton Municipal Golf Course
Management's Discussion and Analysis
June 30, 2015**

Total Net Position Sheet Summary

Total net position decreased in the amount of \$12,662 for fiscal year 2015. The decrease is due to changes within revenues and expenses as discussed above.

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

Elizabethton Municipal Golf Course
185 Buck Van Huss Drive
Elizabethton, TN 37643
Phone (423) 542-8051

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 99,291
Accounts Receivable	108
Inventories	21,865
Prepaid Expense	<u>291</u>

Total Current Assets 121,555

Property, Plant and Equipment

Cost	2,309,381
Less: Accumulated Depreciation	<u>(1,794,633)</u>

Total Property, Plant and Equipment 514,748

TOTAL ASSETS

\$ 636,303

(Continued)

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 18,059
Accrued Payroll Taxes	13,387
Sales Tax Payable	1,084
Unearned Revenue	99,729
Capital Leases	<u>35,328</u>

Total Current Liabilities 167,587

Long-Term Liabilities

Capital Leases	<u>56,184</u>
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Total Long-Term Liabilities 56,184

TOTAL LIABILITIES 223,771

NET POSITION

Net Investment in Capital Assets	423,236
Restricted	875
Unrestricted (Deficit)	<u>(11,579)</u>

TOTAL NET POSITION 412,532

TOTAL LIABILITIES AND NET POSITION \$ 636,303

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

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

OPERATING REVENUE	
Cart Rentals	\$ 40,733
Green Fees	170,853
Membership Dues	163,130
Cart Storage Fees	37
Driving Range Income	21,323
Locker and Club Rental	709
USGA Handicap	569
Tournaments	32,939
Outing Income	57,219
Pro Shop Income	15,923
Vending	27,788
Contributions	50,000
Other Income	<u>1,161</u>
 TOTAL OPERATING REVENUE	 582,384
OPERATING EXPENSES	
Wages and Employee Benefits	224,217
Repairs and Maintenance	101,848
Insurance-General	12,720
Utilities	33,573
Fuel Purchases	21,066
Administrative and General	51,572
Handicap Service	706
Club House Expense	897
Rent and Rental Expenses	13,500
Leases	32,046
Depreciation	73,595
Sales and Marketing	1,305
Professional Services	16,187
Bank and Credit Card Fees	<u>6,755</u>
 TOTAL OPERATING EXPENSES	 <u>589,987</u>

(Continued)

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

NET OPERATING INCOME (LOSS)		(7,603)
NONOPERATING REVENUES(EXPENSES)		
Interest Income	35	
Interest Expense	<u>(5,094)</u>	
TOTAL NONOPERATING REVENUES(EXPENSES)		<u>(5,059)</u>
Change in Net Position		(12,662)
Net Position, July 1, 2014		<u>425,194</u>
Net Position, June 30, 2015		<u><u>\$ 412,532</u></u>

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

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 577,051	
Cash Payments to Suppliers for Goods and Services	(281,153)	
Cash Payments for Employee Services and Benefits	<u>(221,383)</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		74,515
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on Leases Payable	(38,013)	
Interest Paid	<u>(5,094)</u>	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		(43,107)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, Planet and Equipment Acquisitions	(2,057)	
Interest Income	<u>35</u>	
NET CASH USED FOR INVESTING ACTIVITIES		<u>(2,022)</u>
Net Increase in Cash and Cash Equivalents		29,386
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>69,905</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$ 99,291</u></u>

(Continued)

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (7,603)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Depreciation Expense	73,595
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(91)
(Increase) Decrease in Inventories	4,180
Increase (Decrease) in Accounts Payable	6,583
Increase (Decrease) in Accrued Payroll Taxes	2,833
Increase (Decrease) in Sales Tax Payable	260
Increase (Decrease) in Unearned Revenue	<u>(5,242)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 74,515</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING	
AND FINANCING ACTIVITIES	
Borrowing Under Capital Leases	<u>\$ 7,945</u>

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

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

On April 4, 1988, a nonprofit corporation was chartered with the State of Tennessee to operate the golf course as a public benefit corporation. The Elizabethton Municipal Golf Course (the Golf Course) is managed and maintained by the Board of Directors at the will of the Elizabethton City Council and operates as a component unit of the City of Elizabethton, Tennessee (the City). As a component unit of a municipality, the Golf Course is accounted for as an enterprise fund and does not follow the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC).

The Board of Directors is responsible for establishing procedures, and formulating and adopting all policies of the organization.

Operating revenue includes membership dues, rentals, tournaments, vending, pro shop sales and user fees. Non-operating revenue includes interest income.

Significant Accounting Policies

A. Basis of Accounting

The full accrual basis of accounting is utilized by the Golf Course. Revenue is recognized in the period in which it is earned and measurable. Likewise, expenses are recognized when incurred, if measurable. Accordingly, all of the Golf Course's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in a local financial institution. The Golf Course considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

C. Inventories

Inventories of fertilizer, chemicals, gas, and diesel and Pro-Shop and concession items are stated at the lower of cost or market determined by the first-in, first-out method.

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property, Plant and Equipment

Property, plant and equipment acquired prior to January 1, 1986 have been reported at the estimated cost because records of acquisition were not maintained. Property, plant and equipment purchased after January 1, 1986 are recorded at cost. The Golf Course capitalizes assets that have a life of five years or more and cost more than \$5,000. The land occupied by the Golf Course is owned by the City. Expenses for maintenance and repairs which do not improve or extend the life of assets, are charged to expense as incurred.

Depreciation has been computed on the straight-line basis with one-half year convention in the year of acquisition. Fixed asset lives are as follows:

Major Course Renovation	40 Years
Course Improvements	15 Years
Building Improvements	7 to 15 Years
Machinery and Equipment	5 to 7 Years
Office Equipment	5 to 7 Years

E. Unearned Revenue

Unearned revenue includes unearned membership dues which represent resources received in advance of an exchange transaction.

F. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted - net position and unrestricted - net position resources are available the Golf Course's policy is to apply restricted net position first.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

As part of normal business operations, the Golf Course maintains deposit accounts with a financial institution. Deposits on the Statement of Net Position include demand deposits and savings accounts. The carrying amount of the Golf Course's deposits with financial institution was \$97,891 and the financial institution balance was \$97,282. Carrying amounts differ from the financial institution balances primarily due to outstanding checks and deposits in transit.

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The cash and cash equivalents on the Statement of Net Position include \$1,400 of cash on hand. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The bank deposits are insured up to the Federal Deposit Insurance Corporation limit. The excess is covered by the State of Tennessee Collateral Pool. The Golf Course does not have a policy for interest rate risk or for credit risk other than pledging securities for amounts in excess of the FDIC coverage.

NOTE 3 - FIXED ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Building and Building Improvements	\$ 72,334	-	-	72,334
Machinery and Equipment	777,386	10,003	-	787,389
Vehicles	4,500	-	-	4,500
Office Equipment	13,442	-	-	13,442
Course Improvements	1,424,926	-	-	1,424,926
Carts, Range and Other	6,790	-	-	6,790
Total Capital Assets, Being Depreciated	<u>2,299,378</u>	<u>10,003</u>	<u>0</u>	<u>2,309,381</u>
Less Accumulated Depreciation For				
Building and Building Improvements	(64,377)	(1,696)	-	(66,073)
Machinery and Equipment	(647,155)	(47,353)	-	(694,508)
Vehicles	(4,500)	-	-	(4,500)
Office Equipment	(13,442)	-	-	(13,442)
Course Improvements	(984,774)	(24,546)	-	(1,009,320)
Carts, Range and Other	(6,790)	-	-	(6,790)
Total Accumulated Depreciation	<u>(1,721,038)</u>	<u>(73,595)</u>	<u>0</u>	<u>(1,794,633)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 578,340</u>	<u>(63,592)</u>	<u>0</u>	<u>514,748</u>

NOTE 4 - LEASE OBLIGATIONS

Capital Leases

The Golf Course leases various mowing and turf equipment from several financing companies. The economic substance of the leases is that the Golf Course is financing the acquisition of the assets through the leases and, accordingly, the leases are recorded in the Golf Course's assets and liabilities. Capital leases reflect the transfer of risks and benefits associated with the asset to the lessee. During year 2015, the Golf Course obtained one new capital leases for equipment.

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - LEASE OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

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

Various Mowing and Turf Equipment	\$200,328
Less: Accumulated Depreciation	<u>(109,334)</u>
	<u>\$ 90,994</u>

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

During the year ended June 30, 2015, the following debt transactions occurred.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year	Outstanding Balance
Capital Lease - Turf Equipment	\$ -	7,945	823	7,122	1,583	5,539
Capital Lease - Progator	8,665	-	1,805	6,860	1,941	4,919
Capital Lease - John Deere	71,417	-	25,217	46,200	21,223	24,977
Capital Lease - Toro Groundmaster	<u>41,498</u>	<u>-</u>	<u>10,168</u>	<u>31,330</u>	<u>10,581</u>	<u>20,749</u>
	<u>\$ 121,580</u>	<u>7,945</u>	<u>38,013</u>	<u>91,512</u>	<u>35,328</u>	<u>56,184</u>

The following presents future minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30	
2016	\$ 38,639
2017	31,864
2018	23,456
2019	2,179
2020	790
Less: Interest	<u>(5,416)</u>
Present Value of Minimum Lease Payments	<u>\$ 91,512</u>

**ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

NOTE 4 - LEASE OBLIGATIONS (CONTINUED)

Operating Leases

The Golf Course leases property to be used as a driving range. In addition to the \$1,125 monthly lease payment, the Golf Course is required to pay all utility bills, business taxes or fees and carry public liability insurance on the property. The Golf Course is also responsible for payment to the lessor 1/3 of all driving range annual income received in excess of \$22,500 as a lump sum annually. The lease agreement matured March 1, 2014. A new agreement has not been entered into as of the year ended June 30, 2015. Total lease expense for the year was \$13,500.

The Golf Course also leases golf carts from Yamaha. Monthly payments of principal and interest are \$2,230 and the final payment on the term of the lease occurred during the current fiscal year. In January 2015, the Golf Course entered into a new operating lease for golf carts. Monthly payments of principal and interest are \$2,831 and the final payment on the term of the lease will be due in fiscal year 2020. Total lease expense, including interest, for the year was \$30,364.

Future payments required under the operating leases are as follows:

Year Ending June 30	Amount
2016	\$ 33,972
2017	33,972
2018	33,972
2019	33,972
2020	16,986
	<u>\$ 152,874</u>

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - INCOME TAX STATUS

The Golf Course qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

NOTE 6 - RISK MANAGEMENT ACTIVITIES

The Golf Course carries insurance coverage and is insured with City of Elizabethton policies through the Tennessee Municipal League (TML) Risk Management Pool for worker's compensation, general liability, automobile coverage, and errors and omission coverage. There was no reduction in insurance coverage from the prior year and the Golf Course has not had any settlements in the last five years which were not covered by insurance.

NOTE 7 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Although the Golf Course does not follow FASB ASC guidance for their accounting, they do follow FASB ASC guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of June 30, 2015, the Golf Course had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Golf Course's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest or penalties were recorded during the year ended June 30, 2015.

NOTE 8 - EMPHASIS OF MATTER

As of June 30, 2015, the Golf Course reports a deficit in unrestricted net position of \$11,579. The Board closely monitors revenues and expenses. Management of the Golf Course will continue to seek additional cost saving options as well as increased marketing efforts.

**SUPPLEMENTAL
INFORMATION**

**ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF MEMBERSHIP RATES IN FORCE
For the Year Ended June 30, 2015**

Dues for Membership Year April 1, 2015 to March 31, 2016:

Regular – Single Membership	\$ 1,036
Seniors	933
Additional Spouse Membership (Regular or Senior)	519
Super Seniors	275
Limited Membership (Monday-Thursday)	721
Additional Spouse Membership (Limited)	360
Juniors	310
Cart Club Membership	843
Limited Cart Club Membership	691

Super seniors are members who are 80 years or older and have been a member of the Elizabethton Golf Course for the past 10 years in good standing. Also, members who are 75 years or older on April 1, 2013 and have been members in good standing for a minimum of 5 consecutive years, will be exempt from any additional rate increases that would go into effect in the future.

As approved by the Board of Directors, all cart fees, trail fees, club storage, and lockers are to be paid in full by April 1.

Locker Fee (Regular)	\$32
Locker Fee (Small)	21
Private Cart Unlimited Play with Storage (Gas)	843
Private Cart Unlimited Play with Storage (Electric)	898
Private Cart Unlimited Play without Storage	662
Handicap Service	26
Range Balls	8
Unlimited Range Membership	331

(Continued)

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF MEMBERSHIP RATES IN FORCE
For the Year Ended June 30, 2015

	<u>Weekends</u>	<u>Weekdays</u>
<u>Summer Rates (April 1st-October 31st)</u>		
Green Fees (includes cart)		
Eighteen Holes	\$ 34.00	\$ 26.00
Nine Holes	\$ 21.00	\$ 16.00
Early Bird (Sunday 8:00am - 10:30am with Cart)	\$ 26.00	\$ 26.00
Twilight Rate (Saturday, Sunday, and Holidays after 3:00pm)	\$ 26.00	\$ 26.00
Green Fees (Walking)		
Eighteen Holes	\$ 21.00	\$ 16.00
Nine Holes	\$ 16.00	\$ 11.00
<u>Winter Rates (November 1st- March 31st)</u>		
Green Fees (includes cart)		
Eighteen Holes	\$ 29.00	\$ 26.00
Nine Holes	\$ 21.00	\$ 16.00
Early Bird (Sunday 8:00am - 10:30am with Cart)	\$ 26.00	\$ 26.00
Green Fees (Walking)		
Eighteen Holes	\$ 21.00	\$ 16.00
Nine Holes	\$ 16.00	\$ 11.00
Junior Green Fees (Under the age of 16)		
Unlimited Holes	\$ 21.00	\$ 16.00
Nine Holes	\$ 16.00	\$ 11.00
Cart Rentals (Per Rider)		
Eighteen Holes	\$ 15.00	\$ 15.00
Nine Holes	\$ 8.00	\$ 8.00

See Independent Auditors' Report.

SECTION II

INTERNAL CONTROL AND COMPLIANCE SECTION

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

To the Board of Directors of
Elizabethton Municipal Golf Course
Elizabethton, Tennessee 37643

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Elizabethton Municipal Golf Course (the Golf Course), component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the Golf Course's basic financial statements and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2008-002 and 2008-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Golf Course's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-002 and 2008-003.

The Golf Course's Response to Findings

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

Purpose of this Report

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

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 30, 2015

ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2015

Financial Statement Findings

Finding Number		Finding Title		Status
2012-002		Reconciling Accounts		Corrected
2011-002		Purchasing Procedures		Corrected
2008-002		Deficit		Repeated
2008-003		Segregation of Duties		Repeated

**ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

PRIOR YEAR FINDINGS NOT IMPLEMENTED

2008-002: Significant Deficiency: Deficit (Repeated from 6-30-14, 6-30-13, 6-30-12, 6-30-11, 6-30-10, 6-30-09 and 6-30-08 reports with additional current year information)

Condition: The Golf Course has a deficit in unrestricted net position in the amount of \$11,579. During the fiscal year, the Golf Course reported a net loss of \$12,662.

Criteria: State statutes require enterprise funds to be self-supporting.

Effect: The Golf Course needs to closely monitor operations and budget in order to maintain the level of service.

Recommendation: Revenues and expenses should be reviewed to provide adequate income for this fund. Monthly budgets and financial reports should be prepared and reviewed.

Management's Response: Steps are scheduled to be taken for the next membership cycle that will enhance revenue collection. These steps are designed to enhance membership and attract more greens fee golfers by promoting optimal Tee times, quicker rounds and a more consistent golf course. These steps include but are not limited to; the elimination of 5 players per group, elimination of the cart club, and elimination of the driving range club. We will also start golfers on both front and back 9's during weekends and holidays. By making these changes, if we have a similar participation moving forward, our revenue should increase by more than \$100,000 per year.

2008-003: Significant Deficiency: Segregation of Duties (Repeated from 6-30-14, 6-30-13, 6-30-12, 6-30-11, 6-30-10, 6-30-09 and 6-30-08 reports with additional current year information)

Condition: It was noted that in a majority of cases the same individual completes most of the accounting functions. Additionally, it was noted that a signature stamp was being utilized by Golf Course management to indicate that a board member has reviewed and approved the disbursement, payroll check, bank reconciliation, and other financial transactions.

Criteria: Internal controls are designed to safeguard assets. A fundamental concept in a good system of internal control is the segregation of duties, monitoring and oversight.

Effect: This deficiency results in an opportunity for errors to be made and not timely detected. This increases the risk exposure to the Golf Course.

**ELIZABETHTON MUNICIPAL GOLF COURSE
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

PRIOR YEAR FINDINGS NOT IMPLEMENTED (CONTINUED)

2008-003: Significant Deficiency: Segregation of Duties (Repeated from 6-30-14, 6-30-13, 6-30-12, 6-30-11, 6-30-10, 6-30-09 and 6-30-08 reports with additional current year information)(Continued)

Recommendation: We would recommend the Golf Course update and evaluate the current accounting policies and procedures. These should be formally documented and approved by the Board. Once these have been documented and approved, each procedure or task should be assigned to a particular individual in order to establish a segregation of duties. The basic premise of segregation of duties is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. We recommend a board member, officer, or other employee continue to open the bank statement, review the cancelled checks for any unusual items and sign/initial the statement and then submit this to the manager. The monthly bank reconciliations should continue to be reviewed and signed by a board officer. Mail should be opened by an employee or board member not responsible for accounting. Signed checks should be mailed without allowing them to be returned to the employee responsible for accounts payable. A member of the board should periodically review supporting documentation for disbursements such as approved purchase orders, invoices and credit card statements. Journal entries should be reviewed and approved by an employee other than the one who prepared the entry.

Management's Response: The Golf Course's current accounting practices will be evaluated first quarter of 2016. Assistance will be requested from Elizabethton Finance Director, Deborah Kessler, in order to establish the correct base line of accepted practices. Points of discussion will be; policies and procedures and segregation of duties.