

ELIZABETHTON, TENNESSEE  
CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
  
For the Fiscal Year Ended June 30, 2008

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
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For the Fiscal Year Ended June 30, 2008

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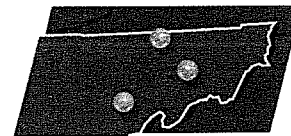
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SECTION I  
FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Elizabethton, Tennessee City Schools, a component unit of the City of Elizabethton, Tennessee as of and for the fiscal year ended June 30, 2008, which collectively comprise the Elizabethton, Tennessee City School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Elizabethton, Tennessee City School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements present only the general purpose school fund, school federal projects fund and school nutrition fund and do not purport to, and do not, present fairly the financial position of the City of Elizabethton, Tennessee, as of June 30, 2008, and the changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

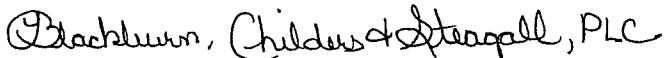
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Elizabethton, Tennessee City Schools, a component unit of the City of Elizabethton, Tennessee as of June 30, 2008, and the respective changes in financial positions, thereof, and the respective budgetary comparisons for each fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008 on our consideration of the Elizabethton, Tennessee City School'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis and required supplementary information on pages 3 - 7 and on page 43 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Elizabethton, Tennessee City Schools' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Elizabethton, Tennessee City Schools. The schedule of expenditures of federal and state awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Schedule of Funding Progress has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 24, 2008

**ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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, 2008. 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 due to conservative efforts and mild weather (lower utility costs). Total net assets increased by 1.7% over the course of the year.

- The total Unreserved/Undesignated General Purpose fund balance increased by \$227,977.
- Dressing room renovations were completed at Elizabethton High School.
- Three buses were purchased.
- The Board paid in full the asbestos loans.

**Overview of the Financial Statements**

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

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

Government-Wide Statements

The government-wide statements report information about the school system as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 assets and how they have changed. Net assets, the difference between the Board's assets and liabilities, are one way to measure the Board's financial health or position.

- Over time, increases or decreases in the Board's net assets 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.

**ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**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.

**Financial Analysis of the Board as a Whole**

**Condensed Statement of Net Assets**

	Governmental Activities		Total % Change 2007-2008
	<u>2007</u>	<u>2008</u>	
Current and Other Assets	\$ 3,351,731	\$ 3,482,326	3.9%
Capital Assets	<u>8,334,850</u>	<u>8,231,752</u>	(1.2)%
Total Assets	<u>11,686,581</u>	<u>11,714,078</u>	2.4%
Current Liabilities	2,357,218	2,216,033	(6.0)%
Long-Term Liabilities	<u>18,746</u>	<u>31,300</u>	67.0%
Total Liabilities	<u>2,375,964</u>	<u>2,247,333</u>	(5.4)%
Net Assets Invested in Capital Assets,			
Net of Debt	8,334,850	8,231,752	(1.2)%
Unrestricted	<u>975,767</u>	<u>1,234,993</u>	26.6%
Total Net Assets	\$ <u>9,310,617</u>	\$ <u>9,466,745</u>	1.7%

**Net Assets**

The Board's Current and Other Assets increased by 3.9% during the 2007-2008 fiscal year. This increase is due to the increase of receivable for taxes. The decrease in Current Liabilities is the result of the decrease in Accounts Payable and the payment in full during 2007-2008 of the asbestos loans.

**ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The Board's financial position is the product of many factors. During the 2007-2008 fiscal year, several areas of the budget experienced minor savings due to mid-year changes in personnel; and greater savings in electricity and natural gas due to a mild winter. The capital outlay project of dressing room renovations at Elizabethton High School was completed and three buses were purchased.

Changes in Net Assets from Operating Results

	Governmental Activities		Total % Change 2007-2008
	<u>2007</u>	<u>2008</u>	
Revenues			
Programs Revenues			
Charges for Services	\$ 686,421	\$ 768,411	11.9%
Operating Grants	1,986,971	2,100,640	5.7%
Capital Grants & Contributions	13,503	5,764	(57.3)%
General Revenues			
Property Taxes	1,764,591	1,725,347	(2.2)%
Other Taxes	1,235,619	1,206,742	(2.4)%
State Revenues	8,094,271	8,815,649	8.9%
Other	<u>3,030,846</u>	<u>2,628,813</u>	(13.3)%
Total Revenues	<u>16,812,222</u>	<u>17,251,366</u>	2.6%
Expenses			
Instruction	9,852,226	10,217,257	3.7%
Student Services	504,008	646,028	28.1%
Instructional Staff Services	908,663	847,463	(6.7)%
General Administration	503,775	484,402	(3.8)%
School Administration	799,557	876,019	9.6%
Business Services	210,435	222,754	5.9%
Maintenance and Operations	1,782,673	1,801,813	1.1%
Transportation	247,780	307,132	24.0%
Central Services	245,120	249,159	1.6%
Operating Transfers	0	56,026	100.0%
Food Services	847,811	891,421	5.1%
Community Services	131,134	161,113	22.9%
Early Childhood Education	<u>285,310</u>	<u>334,651</u>	17.3%
Total Expenses	<u>16,318,492</u>	<u>17,095,238</u>	4.6%
Increase In Net Assets	<u>493,730</u>	<u>156,128</u>	
Beginning Net Assets	8,587,926	9,310,617	
Prior Period Adjustment	228,961		
Ending Net Assets	\$ <u>9,310,617</u>	\$ <u>9,466,745</u>	



**ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The total cost of all programs and services rose 4.6% to \$17.1 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (83.1% of total costs). The Board's administrative and business activities accounted for 6.4% of total costs. The operation and maintenance of facilities accounted for 10.5% of total costs. The total increase of 4.6% reflects increases spending with BEP 2.0 funds and the addition of Coordinated School Health funding.

Governmental Activities

Revenues for the Board's governmental activities increased by 2.6%, while total expenses increased by 4.6%. The increase in net assets for governmental activities was \$156,128 in 2008.

**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 \$1,137,668, which were more than last year's ending fund balances of \$864,174. This increase is due to increases in locally reserved funds for self-supporting programs, funds reserved from e-rate funding for technology, and unspent BEP 2.0 funds reserved as state mandated.

The Board's governmental funds experienced revenues and other sources more/(less) than expenditures in 2008 as follows:

General Purpose	\$307,309
Federal Projects	\$(10,050)
Child Nutrition	\$(23,765)

General Fund 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 \$15,243,425 of revenues and other sources would be received, the Board actually received \$13,200 more than anticipated. The Board budgeted \$15,281,245 of expenditures. The actual expenditures of \$14,949,316 were \$331,929 under budget.

**Capital Asset and Debt Administration**

By the end of 2008, the Elizabethton City Schools had invested \$8.1million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an decrease of \$103,098 or (1.2)% 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 \$394,875, while building improvements and additions to equipment amounted to \$280,377 (net of decreases.)

**ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Capital Assets (Net of Depreciation)

	Governmental Activities		Total % <u>Change</u> 2007-2008
	<u>2007</u>	<u>2008</u>	
Land	\$ 216,170	\$ 216,170	0.0%
Construction in Progress	9,660	756	(92.2)%
Buildings	7,905,764	7,641,488	(3.3)%
Equipment and Vehicles	<u>203,256</u>	<u>373,338</u>	(83.7)%
Total Assets	\$ <u>8,334,850</u>	\$ <u>8,231,752</u>	5.3%

The Board's fiscal year 2008 capital expenditures included the completion of renovations of the dressing room at Elizabethton High School and the purchase of three buses.

**Factors Impacting the Future of the School System and Board**

- Increases in student enrollment
- Increasing insurance and benefit costs
- \$7 Million Bond Issue from the City of Elizabethton for capital expenditures
- Meeting the needs of special education students
- Providing for the safety and security of our students
- Aging bus fleet

**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, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities
<hr/>	
ASSETS	
Cash	\$ 830,696
Receivables	
Accounts	28,792
Taxes	2,156,020
Due from Other Governments	446,478
Inventories	20,340
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	756
Capital Assets, Net of Accumulated Depreciation	
Buildings	7,641,488
Equipment	373,338
Total Assets	<hr/> 11,714,078 <hr/>
LIABILITIES	
Accounts Payable	385,994
Cash Overdraft	49,646
Accrued Expenses	25,697
Other Liabilities	147
Unearned Revenues	1,753,207
Long-term Liabilities	
Due within one year	1,342
Due within more than one year	31,300
Total Liabilities	<hr/> 2,247,333 <hr/>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,231,752
Unrestricted	1,234,993
TOTAL NET ASSETS	<hr/> <hr/> \$ 9,466,745 <hr/> <hr/>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2008

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction					
Regular Instruction	\$ 7,871,078	352,522	750,807	5,764	(6,761,985)
Special Education	1,572,336	-	444,319	-	(1,128,017)
Vocational Education	650,782	-	70,579	-	(580,203)
Other	123,061	-	-	-	(123,061)
Total Instruction	<u>10,217,257</u>	<u>352,522</u>	<u>1,265,705</u>	<u>5,764</u>	<u>(8,593,266)</u>
Support Services					
Student Services	646,028	-	118,808	-	(527,220)
Instructional Staff	847,463	-	-	-	(847,463)
General Administrative	484,402	-	-	-	(484,402)
School Administrative	876,019	-	-	-	(876,019)
Business Administrative	222,754	-	-	-	(222,754)
Plant Operation and Maintenance	1,801,813	6,298	-	-	(1,795,515)
Student Transportation	307,132	-	-	-	(307,132)
Other Support	56,026	-	-	-	(56,026)
Central Services	249,159	-	27,045	-	(222,114)
Total Support Services	<u>5,490,796</u>	<u>6,298</u>	<u>145,853</u>	<u>-</u>	<u>(5,338,645)</u>
Food Service	891,421	409,591	413,247	-	(68,583)
Community Services	161,113	-	-	-	(161,113)
Early Childhood Education	<u>334,651</u>	<u>-</u>	<u>275,835</u>	<u>-</u>	<u>(58,816)</u>
Total Governmental Activities	<u>17,095,238</u>	<u>768,411</u>	<u>2,100,640</u>	<u>5,764</u>	<u>(14,220,423)</u>
General Revenues					
Taxes					
Property Taxes					1,725,347
Sales Taxes					1,152,701
In-Lieu of Taxes					30,023
Other Taxes					19,979
Other Local Governments					4,039
State Aid					8,815,649
Unrestricted Investment Earnings					44,152
Miscellaneous					11,127
Special Item: Loss on sale of assets					(600)
Contribution from Carter County, Tennessee					242,134
Transfers					<u>2,332,000</u>
Total General Revenues, Special Items and Transfers					<u>14,376,551</u>
Change in Net Assets					<u>156,128</u>
Net Assets - Beginning					<u>9,310,617</u>
Net Assets - Ending					<u>\$ 9,466,745</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash in Bank	\$ 751,445	-	79,251	830,696
Accounts Receivable	28,792	-	-	28,792
Due from Other Governments	2,476,345	87,124	39,029	2,602,498
Inventory	-	-	20,340	20,340
Total Assets	<u>\$ 3,256,582</u>	<u>87,124</u>	<u>138,620</u>	<u>3,482,326</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash Overdraft	\$ -	49,646	-	49,646
Accounts Payable	345,548	37,478	2,968	385,994
Accrued Payroll	25,697	-	-	25,697
Other Liabilities	147	-	-	147
Deferred Revenue	1,883,174	-	-	1,883,174
Total Liabilities	<u>2,254,566</u>	<u>87,124</u>	<u>2,968</u>	<u>2,344,658</u>
<b>FUND BALANCE</b>				
Reserved				
Extended School Programs	51,373	-	-	51,373
Career Ladder (Extended Contract)	6,551	-	-	6,551
Career Ladder	7,687	-	-	7,687
Basic Education Program	185,672	-	-	185,672
Technology	21,785	-	-	21,785
Early Learning Center	1,683	-	-	1,683
Tennis Courts	5,979	-	-	5,979
Special Education	1,234	-	-	1,234
Community Involvement	1,044	-	-	1,044
Inventory	-	-	20,340	20,340
Unreserved	719,008	-	115,312	834,320
Total Fund Balances	<u>1,002,016</u>	<u>0</u>	<u>135,652</u>	<u>1,137,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,256,582</u>	<u>87,124</u>	<u>138,620</u>	<u>3,482,326</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

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Total Fund Balances - Governmental Funds	\$ 1,137,668
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$16,438,376 and the accumulated depreciation is \$(8,206,624).	8,231,752
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Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	129,967
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Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of notes payable and compensated absences.	<u>(32,642)</u>
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Total Net Assets - Governmental Activities	<u><u>\$ 9,466,745</u></u>
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See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE 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, 2008

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,931,923	-	-	2,931,923
Revenue from State of Tennessee	9,336,864	-	9,534	9,346,398
Revenue from Federal Government	10,909	1,167,956	403,713	1,582,578
Charges for Services	352,522	-	409,591	762,113
Investment Earnings	40,335	-	3,816	44,151
Other	9,938	-	-	9,938
Total Revenues	<u>12,682,491</u>	<u>1,167,956</u>	<u>826,654</u>	<u>14,677,101</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Instruction	7,338,183	530,387	-	7,868,570
Special Instruction	1,172,414	399,922	-	1,572,336
Vocational Education	627,852	22,923	-	650,775
Other	123,061	-	-	123,061
Support Services				
Student Services	645,986	-	-	645,986
Instructional Staff	734,741	110,278	-	845,019
General Administrative	484,448	-	-	484,448
School Administrative	872,753	-	-	872,753
Business Administrative	221,641	-	-	221,641
Plant Operation and Maintenance	1,480,831	-	-	1,480,831
Student Transportation	192,307	49,115	-	241,422
Central Services	243,297	-	-	243,297
Other Support Services	-	56,026	-	56,026
Food Services	37,426	-	850,419	887,845
Community Services	161,113	-	-	161,113
Early Childhood Education	333,611	-	-	333,611
Capital Outlay	277,258	9,355	-	286,613
Debt Service	2,394	-	-	2,394
Total Expenditures	<u>14,949,316</u>	<u>1,178,006</u>	<u>850,419</u>	<u>16,977,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,266,825)</u>	<u>(10,050)</u>	<u>(23,765)</u>	<u>(2,300,640)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	-	52,382	-	52,382
Transfer Out	-	(52,382)	-	(52,382)
Transfer from Primary Government	2,332,000	-	-	2,332,000
Contribution from Carter County	242,134	-	-	242,134
Total Other Financing Sources (Uses)	<u>2,574,134</u>	<u>0</u>	<u>0</u>	<u>2,574,134</u>
NET CHANGE IN FUND BALANCE	307,309	(10,050)	(23,765)	273,494
FUND BALANCE, JULY 1, 2007	<u>694,707</u>	<u>10,050</u>	<u>159,417</u>	<u>864,174</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,002,016</u>	<u>0</u>	<u>135,652</u>	<u>1,137,668</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE 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, 2008

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Total Net Change in Fund Balances - Governmental Funds \$ 273,494

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 \$394,875 exceeds capital outlay of \$286,613. (108,262)

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 decreased by this amount for the current year. (5,033)

In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current year. (11,629)

Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,394

The net effect of various transactions involving capital assets (i.e. sales, out of service) is to decrease net assets. (600)

The school activity funds purchased capital assets during the year. Title to such assets is passed to the local board of education. Such a transaction is a contribution of a long-lived assets. 5,764

Change in Net Assets of Governmental Activities \$ 156,128

See accompanying notes to the basic financial statements.



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
TAXES				
Local Sales Tax	\$ 1,125,000	1,141,300	1,152,701	11,401
County Property Tax	1,713,000	1,721,000	1,730,381	9,381
Other Local Tax	55,250	49,950	48,841	(1,109)
Total Taxes	2,893,250	2,912,250	2,931,923	19,673
INTERGOVERNMENTAL REVENUES				
Federal Through State of Tennessee				
Special Education	-	11,000	10,909	(91)
State of Tennessee				
Basic Education Program	7,966,000	8,537,000	8,537,000	-
Driver Education	6,000	7,605	7,605	-
Career Ladder Program	121,866	128,634	128,629	(5)
Career Ladder - Extended Contract	152,753	150,053	150,021	(32)
Other State Funds	296,236	481,704	484,090	2,386
Mixed Drink Tax	1,500	1,700	1,686	(14)
Other State Revenues	-	27,833	27,833	-
Total Intergovernmental Revenues	8,544,355	9,345,529	9,347,773	2,244
MISCELLANEOUS REVENUES				
Tuition	302,943	353,031	352,522	(509)
Rental of School Property	1,000	1,000	985	(15)
Interest Income	52,000	40,500	40,335	(165)
Donations	200	200	127	(73)
Other Local Revenues	14,500	3,600	3,513	(87)
Insurance Recovery	-	5,315	5,313	(2)
Total Miscellaneous Revenues	370,643	403,646	402,795	(851)
TOTAL REVENUES	\$ 11,808,248	12,661,425	12,682,491	21,066

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instructional				
Instruction - Regular Instruction				
Teachers	4,921,982	4,949,465	4,948,877	588
Career Ladder Program	71,500	73,489	71,925	1,564
Career Ladder - Extended Contract	135,000	131,725	128,000	3,725
Homebound Teachers	10,000	10,000	8,385	1,615
Educational Assistants	159,709	160,366	160,312	54
Other Salaries and Wages	30,000	42,500	42,468	32
Certified Substitute Teachers	20,000	10,000	9,809	191
Non-Certified Substitute Teachers	70,000	70,000	68,244	1,756
Social Security	335,935	329,109	323,934	5,175
State Retirement	334,453	334,845	333,326	1,519
Life Insurance	11,070	11,070	11,070	-
Medical Insurance	790,753	770,276	765,807	4,469
Dental Insurance	44,419	44,409	43,088	1,321
Medicare	78,546	77,171	75,881	1,290
Other Contracted Services	1,800	15,300	14,848	452
Instructional Supplies	92,681	102,325	95,497	6,828
Textbooks	181,000	261,893	216,817	45,076
Other Supplies and Materials	10,150	10,750	10,341	409
Furniture & Fixtures	16,308	-	-	-
Regular Instructional Equipment	20,000	9,554	9,554	-
Total Instruction - Regular Instruction	7,335,306	7,414,247	7,338,183	76,064
Instruction - Special Education				
Teachers	532,010	568,549	564,883	3,666
Career Ladder Program	13,500	13,500	12,000	1,500
Homebound Teachers	2,000	2,000	1,190	810
Educational Assistants	103,569	118,623	118,599	24
Speech Pathologist	84,731	88,718	88,718	-
Certified Substitute Teachers	2,000	3,900	3,850	50
Non-Certified Substitute Teachers	8,000	10,700	10,654	46
Other Salaries and Wages	-	4,850	4,100	750
Social Security	46,242	49,370	48,001	1,369
State Retirement	49,120	52,837	52,416	421
Life Insurance	1,710	1,925	1,922	3
Medical Insurance	132,586	151,586	151,431	155
Dental Insurance	7,565	8,515	8,505	10
Medicare	10,812	11,547	11,228	319
Other Contracted Services	73,150	77,829	72,409	5,420

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction - Special Education (Continued)				
Instructional Supplies	10,000	14,300	6,539	7,761
Other Supplies and Materials	1,000	1,100	477	623
Other Charges	10,000	10,000	5,032	4,968
Special Education Equipment	2,000	10,625	10,460	165
Total Instruction - Special Education	1,089,995	1,200,474	1,172,414	28,060
Instruction - Vocational Education Program				
Teachers	459,180	463,760	463,054	706
Career Ladder Program	6,000	6,000	6,000	-
Certified Substitute Teachers	500	1,100	1,100	-
Non-Certified Substitute Teachers	5,000	5,100	5,065	35
Social Security	29,152	28,824	28,756	68
State Retirement	29,024	29,189	29,188	1
Life Insurance	990	990	945	45
Medical Insurance	64,435	58,435	57,921	514
Dental Insurance	3,387	3,387	3,141	246
Medicare	6,817	6,727	6,725	2
Maintenance and Repair - Equipment	2,500	1,100	524	576
Instructional Supplies	20,000	20,000	19,077	923
Other Supplies and Charges	1,000	1,000	-	1,000
Vocational Equipment	5,000	6,400	6,356	44
Total Instruction - Vocational Education Program	632,985	632,012	627,852	4,160
Instruction - Student Body				
Other Salaries and Wages	94,913	98,242	98,241	1
Social Security	5,885	6,062	5,975	87
State Retirement	5,923	5,636	5,477	159
Employer Medicare	1,376	1,418	1,398	20
Other Supplies and Materials	4,500	4,500	4,500	-
Other Charges	7,500	7,500	7,470	30
Total Instruction - Student Body	120,097	123,358	123,061	297
Total Instructional Expenditures	9,178,383	9,370,091	9,261,510	108,581
Support Services				
Student Services - Attendance				
Supervisor/Director	1,200	1,200	1,200	-
Secretary(s)	31,574	32,032	32,032	-
Social Security	2,032	2,060	2,032	28
State Retirement	3,005	3,048	3,047	1
Life Insurance	45	45	45	-
Medical	4,970	4,970	4,922	48
Dental	294	294	289	5

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Student Services - Attendance				
Medicare	475	475	475	-
Travel	1,000	1,000	998	2
Total Support Services - Attendance	44,595	45,124	45,040	84
Student Services - Health Services				
Supervisor/Director	-	40,488	40,487	1
Medical Personnel	60,269	59,166	47,668	11,498
Secretaries	-	4,064	4,063	1
Social Security	3,737	6,427	5,644	783
State Retirement	4,246	8,338	7,269	1,069
Life Insurance	135	239	214	25
Medical Insurance	10,690	17,840	13,011	4,829
Dental Insurance	594	980	748	232
Medicare	873	1,503	1,320	183
Travel	750	750	589	161
Other Supplies and Materials	1,000	23,996	21,478	2,518
Other Charges	500	850	833	17
In-Service/Staff Development	-	5,150	5,151	(1)
Administration Equipment	-	8,175	8,167	8
Total Support Services - Health Services	82,794	177,966	156,642	21,324
Student Services - Other Student Support				
Career Ladder Program	5,000	5,000	2,000	3,000
Guidance Personnel	227,375	256,992	238,896	18,096
Secretaries	73,903	91,492	89,150	2,342
Social Security	18,989	22,122	18,487	3,635
State Retirement	21,353	25,051	21,522	3,529
Life Insurance	630	765	653	112
Medical Insurance	52,373	66,140	53,162	12,978
Dental Insurance	3,254	3,854	3,414	440
Medicare	4,441	5,174	4,703	471
Evaluation and Testing	5,500	6,500	6,317	183
Other Charges	6,000	6,000	6,000	-
Total Support Services - Other Student Support	418,818	489,090	444,304	44,786
Total Student Services Support Services	546,207	712,180	645,986	66,194

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	102,505	101,538	101,513	25
Career Ladder Program	9,000	9,000	9,000	-
Librarians	265,076	267,970	267,969	1
Secretaries	5,920	6,006	6,006	-
Social Security	23,716	22,742	22,328	414
State Retirement	24,037	24,212	24,175	37
Life Insurance	675	675	675	-
Medical Insurance	58,655	55,655	54,611	1,044
Dental Insurance	3,121	3,121	2,833	288
Medicare	5,547	5,319	5,222	97
Maintenance and Repair - Equipment	5,960	5,960	5,910	50
Travel	100	100	12	88
Library Books/Media	36,940	36,940	36,784	156
Other Supplies and Materials	500	500	99	401
In-Service/Staff Development	13,950	14,600	8,542	6,058
Other Charges	200	500	486	14
Total Instructional Staff Services - Regular Instruction	555,902	554,838	546,165	8,673
Instructional Staff Services - Special Education				
Supervisor/Director	71,641	92,374	92,368	6
Career Ladder Program	2,000	2,000	2,000	-
Secretaries	25,654	26,026	26,026	-
Social Security	6,157	7,311	7,306	5
State Retirement	6,975	8,242	8,222	20
Life Insurance	126	146	144	2
Medical Insurance	9,191	15,848	10,678	5,170
Dental Insurance	528	653	640	13
Medicare	1,440	1,721	1,709	12
Maintenance and Repair - Equipment	500	600	583	17
Travel	900	900	835	65
In-Service/Staff Development	3,375	3,375	3,114	261
Other Charges	250	250	-	250
Instructional Staff Services - Special Education	128,737	159,446	153,625	5,821

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Instructional Staff Services - Vocational Education				
Supervisor/Director	58,488	2,500	2,500	-
Career Ladder Program	3,000	-	-	-
Secretaries	18,816	19,102	19,103	(1)
Social Security	4,979	1,339	1,334	5
State Retirement	5,580	1,929	1,929	-
Life Insurance	135	135	45	90
Medical Insurance	14,635	14,635	8,230	6,405
Dental Insurance	884	884	579	305
Medicare	1,165	313	312	1
In-Service/Staff Development	4,200	4,200	919	3,281
Instructional Staff Services - Vocational Education	<u>111,882</u>	<u>45,037</u>	<u>34,951</u>	<u>10,086</u>
Total Instructional Staff Support Services	<u>796,521</u>	<u>759,321</u>	<u>734,741</u>	<u>24,580</u>
General Administrative Services - Board of Education				
Secretary to Board	1,200	1,200	1,200	-
Social Security	74	74	73	1
State Retirement	111	111	111	-
Unemployment Compensation	7,000	17,000	15,980	1,020
Medicare	17	17	17	-
Audit Services	20,500	20,500	20,500	-
Dues and Memberships	6,500	6,650	6,619	31
Legal Services	24,000	10,000	9,059	941
Other Contracted Services	1,500	3,250	3,250	-
Liability Insurance	27,600	25,172	25,089	83
Premium on Corporate Surety Bonds	1,500	1,500	1,328	172
Trustee Commissions	52,500	52,500	46,166	6,334
Workers' Compensation	97,750	87,605	83,644	3,961
In-Service/Staff Development	7,875	7,875	3,100	4,775
Other Charges	2,000	3,500	3,142	358
Total General Admin. Serv. Board of Education	<u>250,127</u>	<u>236,954</u>	<u>219,278</u>	<u>17,676</u>
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	83,000	92,945	92,942	3
Career Ladder Program	1,000	1,000	500	500

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
General Administrative Services -				
Office of the Superintendent (Continued)				
Secretaries	37,752	38,293	38,293	-
Clerical Personnel	23,629	27,914	27,914	-
Social Security	9,014	9,863	9,832	31
State Retirement	10,936	12,006	11,976	30
Life Insurance	180	180	180	-
Medical Insurance	23,321	23,321	23,097	224
Dental Insurance	1,170	1,170	1,154	16
Medicare	2,109	2,309	2,300	9
Advertising	2,000	3,850	3,828	22
Communication	25,000	27,500	26,887	613
Dues and Memberships	1,500	1,500	1,219	281
Postal Charges	4,500	4,500	4,160	340
Printing, Stationery, and Forms	500	575	572	3
Travel	500	500	-	500
Other Contracted Services	6,000	7,075	7,063	12
Office Supplies	5,000	5,000	4,779	221
In-Service/Staff Development	3,475	1,475	1,469	6
Other Charges	6,475	7,025	7,005	20
Total General Admin. Serv. Office of the Superintendent	247,061	268,001	265,170	2,831
Total General Administrative Support Services	497,188	504,955	484,448	20,507
School Administrative Services - Office of the Principal				
Principals	316,295	298,935	298,935	-
Career Ladder Program	4,000	11,000	11,000	-
Assistant Principals	181,029	218,026	218,026	-
Secretaries	108,642	105,734	105,656	78
Other Salaries and Wages	10,515	10,909	10,905	4
Social Security	38,470	38,304	38,296	8
State Retirement	41,697	42,942	42,917	25
Life Insurance	1,002	1,087	1,087	-
Medical Insurance	79,997	86,772	86,772	-
Dental Insurance	4,276	4,456	4,453	3
Medicare	8,996	8,957	8,956	1
Communication	25,391	25,391	25,229	162
Travel	2,000	2,000	1,319	681
Office Supplies	17,225	17,225	17,202	23
In-Service/Staff Development	2,000	2,000	2,000	-
Total School Admin. Serv. Office of the Principal	841,535	873,738	872,753	985
Total School Administration Support Services	841,535	873,738	872,753	985

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Business Administrative Services - Fiscal Services				
Supervisor/Director	63,208	63,293	63,293	-
Accountants/Bookkeepers	67,662	68,939	68,939	-
Secretaries	31,574	32,032	32,032	-
Social Security	10,072	10,149	10,037	112
State Retirement	13,153	13,321	13,320	1
Life Insurance	225	225	225	-
Medical Insurance	20,331	20,331	20,136	195
Dental Insurance	1,174	1,174	1,154	20
Medicare	2,356	2,376	2,347	29
Data Processing Services	5,034	5,034	5,033	1
Dues and Subscriptions	100	100	75	25
Travel	350	350	-	350
Data Processing Supplies	500	500	-	500
Office Supplies	2,750	2,750	2,056	694
In-Service/Staff Development	4,000	3,718	2,218	1,500
Other Charges	1,000	1,000	776	224
Total Bus. Admin. Serv. - Fiscal Services	223,489	225,292	221,641	3,651
Operation and Maintenance - Operation of Plant				
Supervisor/Director	26,395	26,790	26,790	-
Custodial Personnel	239,279	234,447	234,374	73
Social Security	16,472	16,595	16,096	499
State Retirement	24,656	24,847	24,236	611
Life Insurance	799	799	785	14
Medical Insurance	87,976	90,126	90,125	1
Dental Insurance	5,269	5,269	5,084	185
Medicare	3,849	3,882	3,765	117
Other Contracted Services	43,000	45,000	44,569	431
Custodial Supplies	30,000	30,000	29,972	28
Electricity	365,000	366,000	365,624	376
Natural Gas	190,000	187,000	138,214	48,786
Water and Sewer	23,625	23,625	23,561	64
Boiler Insurance	4,250	3,835	3,835	-
Building and Contents Insurance	77,500	69,877	69,877	-
Other Charges	4,000	6,000	5,179	821
Plant Operation Equipment	7,000	-	-	-
Total Oper. & Maint. - Operation of Plant	1,149,070	1,134,092	1,082,086	52,006

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Operation and Maintenance - Maintenance of Plant				
Supervisor/Director	36,400	35,797	35,797	-
Maintenance Personnel	134,028	129,340	126,799	2,541
Social Security	10,566	10,291	9,618	673
State Retirement	15,816	15,816	15,089	727
Life Insurance	225	225	225	-
Medical Insurance	34,013	34,013	31,997	2,016
Dental Insurance	1,758	1,758	1,633	125
Medicare	2,472	2,402	2,250	152
Laundry Service	2,000	2,000	1,587	413
Maintenance and Repair - Buildings	97,500	132,500	125,273	7,227
Maintenance and Repair - Equipment	1,800	1,800	733	1,067
Maintenance and Repair - Vehicles	1,000	1,600	1,584	16
Other Contracted Services	38,287	42,546	42,546	-
Inservice/Staff Development	300	300	86	214
Other Charges	1,000	1,350	340	1,010
Other Equipment	2,633	3,188	3,188	-
Total Oper. & Maint. - Maintenance of Plant	379,798	414,926	398,745	16,181
Total Operation and Maintenance Support Services	1,528,868	1,549,018	1,480,831	68,187
Student Transportation				
Supervisor/Director	2,500	2,500	2,500	-
Mechanics	7,500	10,825	10,810	15
Bus Drivers	49,926	50,141	48,974	1,167
Other Salaries and Wages	2,500	2,500	340	2,160
Social Security	3,909	3,659	3,111	548
State Retirement	5,332	5,649	5,295	354
Life Insurance	225	225	207	18
Medical Insurance	27,736	25,851	25,782	69
Dental Insurance	1,486	1,486	1,332	154
Medicare	913	863	699	164
Maintenance and Repair - Vehicles	5,000	8,650	8,627	23
Medical and Dental Services	1,500	1,500	1,383	117
Diesel Fuel	25,000	36,500	36,222	278
Gasoline	9,000	10,250	10,185	65
Tires and Tubes	4,000	6,075	6,070	5
Vehicle Parts	6,000	7,550	7,537	13
Vehicle Insurance	24,000	21,575	21,575	-
Inservice/Staff Development	300	300	250	50
Other Charges	1,500	1,500	1,408	92
Total Student Transportation Support Services	178,327	197,599	192,307	5,292

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Central Services				
Supervisor/Director	46,946	50,794	48,906	1,888
Data Processing Personnel	65,313	66,291	66,289	2
Social Security	6,961	7,259	7,142	117
State Retirement	10,418	9,962	9,927	35
Life Insurance	135	160	158	2
Medical Insurance	17,284	17,284	17,118	166
Dental Insurance	1,170	1,170	866	304
Medicare	1,628	1,697	1,670	27
Maintenance and Repair - Equipment	24,000	16,600	16,594	6
Travel	750	1,365	1,365	-
Other Contracted Services	16,500	56,333	45,193	11,140
Data Processing Supplies	8,200	800	780	20
Other Supplies and Materials	3,000	7,975	7,969	6
In-Service/Staff Development	2,250	2,250	369	1,881
Data Processing Equipment	20,000	17,500	17,402	98
Furniture and Fixtures	-	2,500	1,549	951
Total Support Services Central Services	224,555	259,940	243,297	16,643
Total Support Services	4,836,690	5,082,043	4,876,004	206,039
Food Service				
Clerical Personnel	31,574	32,032	32,032	-
Social Security	1,958	1,963	1,962	1
State Retirement	2,930	2,973	2,973	-
Medicare	458	458	459	(1)
Total Food Service	36,920	37,426	37,426	-
Community Services				
Supervisor/Director	26,674	30,284	30,239	45
Other Salaries and Wages	64,457	97,970	95,493	2,477
Social Security	5,611	7,917	7,740	177
State Retirement	2,476	4,076	4,049	27
Life Insurance	45	45	45	-
Medical Insurance	4,677	4,922	4,922	-
Dental Insurance	290	290	289	1
Medicare	1,313	1,852	1,810	42
Travel	800	850	769	81
Food Supplies	5,500	5,500	5,465	35

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Community Services (Continued)				
Other Supplies and Materials	8,575	9,025	7,043	1,982
Other Charges	4,525	5,175	3,249	1,926
Other Equipment	2,000	2,000	-	2,000
Total Community Services	126,943	169,906	161,113	8,793
Early Childhood Education				
Supervisor/Director	38,239	39,539	39,539	-
Teachers	79,290	82,198	82,197	1
Secretary(s)	11,066	13,817	13,817	-
Educational Assistance	47,787	48,045	47,887	158
Custodian	11,391	11,058	11,057	1
Social Security	11,642	11,548	11,598	(50)
State Retirement	15,760	14,072	14,349	(277)
Life Insurance	504	504	504	-
Medical Insurance	44,741	44,467	44,830	(363)
Dental Insurance	2,555	2,480	2,497	(17)
Employer Medicare	2,719	2,634	2,712	(78)
Communication	750	2,000	1,967	33
Other Contracted Services	18,872	56,418	56,638	(220)
Instructional Supplies	-	4,000	4,019	(19)
Total Early Childhood Education	285,316	332,780	333,611	(831)
Capital Outlay - Regular				
Architects	10,000	5,000	-	5,000
Transportation Equipment	130,000	218,595	217,764	831
Building Improvements	290,000	61,404	59,494	1,910
Total Capital Outlay	430,000	284,999	277,258	7,741
Debt Service - Education				
Principal on Bonds	4,000	4,000	2,394	1,606
Total Debt Service	4,000	4,000	2,394	1,606
Total Expenditures	14,898,252	15,281,245	14,949,316	331,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,090,004)	(2,619,820)	(2,266,825)	352,995

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES				
Bond Proceeds	300,000	250,000	242,134	(7,866)
Transfer from Primary Government	2,780,896	2,332,000	2,332,000	-
Total Other Financing Sources	3,080,896	2,582,000	2,574,134	(7,866)
NET CHANGE IN FUND BALANCE	(9,108)	(37,820)	307,309	345,129
FUND BALANCE, JULY 1, 2007	694,707	694,707	694,707	-
FUND BALANCE, JUNE 30, 2008	\$ 685,599	656,887	1,002,016	345,129

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Intergovernmental Revenues				
Title I	\$ 627,488	666,305	522,293	(144,012)
Title II	136,922	120,027	106,052	(13,975)
Title V	3,287	3,414	3,414	-
Title X	-	20,770	19,497	(1,273)
Special Education (IDEA)	436,587	421,575	421,575	-
Special Education (Preschool)	11,868	11,836	11,836	-
Vocational Education	43,442	46,148	46,148	-
Other Federal Through State	55,318	47,148	37,141	(10,007)
<b>TOTAL REVENUES</b>	<b>1,314,912</b>	<b>1,337,223</b>	<b>1,167,956</b>	<b>(169,267)</b>
<b>EXPENDITURES</b>				
Instruction				
Insruction - Regular Instruction				
Teachers	134,482	124,553	121,691	2,862
Educational Assistants	195,783	191,758	171,518	20,240
Other Salaries and Wages	14,065	14,630	13,553	1,077
Social Security	21,346	18,838	17,648	1,190
State Retirement	26,768	24,290	23,604	686
Life Insurance	1,013	945	887	58
Medical Insurance	101,203	93,177	80,416	12,761
Dental Insurance	5,396	5,102	4,505	597
Medicare	4,991	4,400	4,218	182
Other Contracted Services	10,361	8,349	8,535	(186)
Instructional Supplies and Materials	51,306	55,000	22,265	32,735
Other Charges	30,000	30,000	18,645	11,355
Other Supplies and Materials	-	10,168	-	10,168
Regular Instruction Equipment	50,000	50,000	42,902	7,098
Total Instruction - Regular Instruction	646,714	631,210	530,387	100,823
Instruction - Special Education				
Teachers	22,543	-	-	-
Educational Assistants	201,041	232,181	232,179	2
Social Security	13,864	14,397	14,397	-
State Retirement	20,062	21,464	21,464	-
Life Insurance	788	810	824	(14)
Medical Insurance	92,037	93,402	93,410	(8)
Dental Insurance	4,812	5,255	5,236	19
Medicare	3,240	3,366	3,365	1
Other Contracted Services	24,547	24,047	24,047	-

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction - Special Education (Continued)				
Instructional Supplies	7,500	5,000	5,000	-
Special Education Equipment	20,000	-	-	-
Total Instruction - Special Education	410,434	399,922	399,922	-
Instruction - Vocational Education				
Other Supplies and Materials	-	10,000	22,923	(12,923)
Vocational Instruction Equipment	28,542	22,278	9,355	12,923
Total Instruction - Vocational Education	28,542	32,278	32,278	-
Total Instructional Expenditures	1,085,690	1,063,410	962,587	100,823
Instructional Staff Services - Regular Instruction				
Other Salaries and Wages	10,785	10,611	10,650	(39)
Social Security	669	669	660	9
Employer Medicare	156	154	154	-
Travel	5,000	5,000	1,372	3,628
Other Contracted Services	23,760	3,400	3,737	(337)
Other Supplies and Materials	15,282	19,396	5,433	13,963
In-Service/Staff Development	77,123	93,120	58,471	34,649
Other Charges	10,000	22,520	17,360	5,160
Other Equipment	3,952	17,402	12,441	4,961
Total Instructional Staff Services - Regular Instruction	146,727	172,272	110,278	61,994
Support Services - Student Transportation				
Bus Drivers	27,150	27,150	27,298	(148)
Other Salaries and Wages	1,800	1,800	1,800	-
Social Security	1,795	1,795	1,747	48
State Retirement	2,687	2,687	2,693	(6)
Life Insurance	135	135	135	-
Medical Insurance	20,732	20,700	14,160	6,540
Dental Insurance	876	876	874	2
Medicare	420	420	408	12
Total Transportation	55,595	55,563	49,115	6,448

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Other Services				
Health Services	-	39,156	39,156	-
Other Student Support	16,200	12,420	12,420	-
Special Education Support	7,500	3,000	3,000	-
Vocational Support	3,200	1,450	1,450	-
Total Other Services	26,900	56,026	56,026	-
 Total Support Services	 229,222	 283,861	 215,419	 68,442
TOTAL EXPENDITURES	1,314,912	1,347,271	1,178,006	169,265
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 0	 (10,048)	 (10,050)	 (2)
 Other Financing Sources (Uses)				
Transfers In	-	52,382	52,382	-
Transfers Out	(29,900)	(52,382)	(52,382)	-
TOTAL OTHER FINANCING SOURCES (USES)	(29,900)	0	0	-
NET CHANGE IN FUND BALANCE	(29,900)	(10,048)	(10,050)	(2)
FUND BALANCE, JULY 1, 2007	10,050	10,050	10,050	-
FUND BALANCE, JUNE 30, 2008	\$ 10,050	2	0	(2)

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHOOL NUTRITION FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 298,600	304,100	298,735	(5,365)
USDA Breakfast Claims	90,500	94,500	93,741	(759)
Snack Reimbursement	7,800	11,800	11,237	(563)
State Matching	9,900	9,900	9,534	(366)
Total Intergovernmental Revenues	406,800	420,300	413,247	(7,053)
Charges for Services				
Meal Payment - Children	298,500	298,500	286,415	(12,085)
Meal Payment - Adults	22,100	27,600	27,318	(282)
Income from Breakfast	2,650	3,400	3,041	(359)
A La Carte Sales	81,100	82,100	81,792	(308)
Other Charges for Services	7,300	11,300	11,025	(275)
Total Charges for Services	411,650	422,900	409,591	(13,309)
Investment Earnings	5,500	5,500	3,816	(1,684)
<b>TOTAL REVENUES</b>	<b>823,950</b>	<b>848,700</b>	<b>826,654</b>	<b>(22,046)</b>
<b>EXPENDITURES</b>				
Food Services				
Supervisor/Director	36,275	37,796	37,796	-
Cafeteria Personnel	264,080	263,480	263,524	(44)
Other Salaries and Wages	3,500	4,600	4,610	(10)
Social Security	21,223	18,223	18,277	(54)
State Retirement	29,395	26,045	26,053	(8)
Life Insurance	945	920	923	(3)
Medical Insurance	117,058	116,458	116,470	(12)
Dental Insurance	6,365	6,365	6,398	(33)
Medicare	4,964	4,304	4,304	-
Communication	650	610	610	-
Maintenance/Repair - Equipment	9,000	13,000	13,795	(795)
Transportation	5,350	2,150	2,170	(20)
Travel	50	-	-	-
Food Supplies	296,500	323,884	324,628	(744)
Office Supplies	1,250	850	846	4
Other Supplies and Materials	23,500	24,000	24,006	(6)
In-Service/Staff Development	990	960	961	(1)
Other Charges	2,355	4,755	4,745	10
Equipment	500	300	303	(3)
<b>TOTAL EXPENDITURES</b>	<b>823,950</b>	<b>848,700</b>	<b>850,419</b>	<b>(1,719)</b>

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHOOL NUTRITION FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2008

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(23,765)	(23,765)
FUND BALANCE, JULY 1, 2007	159,417	159,417	159,417	-
FUND BALANCE, JUNE 30, 2008	\$ 159,417	159,417	135,652	(23,765)

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Elizabethton, Tennessee 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 School's 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, Tennessee 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 receives funding from local, county, state and federal government sources and must comply with the requirements of these funding source entities. The members of the Board of Education are elected by the voters of the City.

Related Organizations

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

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 considers 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.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When both restricted and unrestricted resources are available for use, it is the Schools' policy to use restricted resources first, then unrestricted resources as they are needed.

The School System reports 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 and School Nutrition Fund – Proceeds of specific revenue sources that are restricted to expenditures for specified purposes are in separate funds.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The Finance Director is the treasurer for the Schools and in this capacity is responsible for receiving, disbursing, depositing and investing most of the School's funds. Certain disclosures regarding deposits and investments are required by accounting principles generally accepted in the United States of America for those amounts included on the balance sheet as cash and cash equivalents. The Board of Education does not have any deposits or investments other than cash on deposit with banks.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables

Property taxes receivable are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." Revenues from property taxes are recognized in the period for which the taxes are levied which becomes payable October 1, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred revenues.

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Governmental funds record inventories as expenditures at the time of purchase. All such inventories on hand at year end are reported as assets and are fully reserved in the equity section of the funds' balance sheet at the fund level.

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 assets lives 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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees are granted vacation leave and sick leave based upon the system's 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 policy is silent on payment to employees upon termination.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative Board plans that are subject to change.

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 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The School's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the year. The statements of budget to actual include the original and final amended budget amounts. The budgets were legally adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The actual expenditures for the School Nutrition Fund exceeded those budgeted by \$1,719.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

State statutes impose various restrictions on deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - State statutes authorize the system 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.

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 FDIC coverage and placing deposits in banks that are approved members of the State of Tennessee Collateral Pool.

Deposits

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 year end, the School's carrying amount of deposits was \$830,696 and the bank balance was \$1,172,172.

On October 3, 2008, the FDIC increased the federally insured coverage limit to \$250,000 at any one financial institution.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Receivables

Receivables as of year end for the School's individual funds are as follows:

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total
Other Receivables	\$ 28,792	-	-	28,792
Due from Other Governments				
Federal and State	310,604	87,124	39,029	436,757
Carter County, Tax Allocation	2,156,020	-	-	2,156,020
Carter County, Bond Proceeds	9,721	-	-	9,721
Total Receivables	<u>\$ 2,505,137</u>	<u>87,124</u>	<u>39,029</u>	<u>2,631,290</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivables not received within period of availability:		
Property tax levied for ensuing fiscal year:		
General Fund	\$ -	1,753,207
Property tax levied but not collected		
in period of availability	<u>129,967</u>	<u>-</u>
	<u>\$ 129,967</u>	<u>1,753,207</u>

On the fund financial statement level, deferred revenue is \$1,883,174 for the current year.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	9,660	47,494	(56,398)	756
Total Capital Assets, Not Being Depreciated	<u>225,830</u>	<u>47,494</u>	<u>(56,398)</u>	<u>216,926</u>
Capital Assets, Being Depreciated				
Buildings	15,209,571	56,398	-	15,265,969
Equipment	<u>722,598</u>	<u>244,883</u>	<u>(12,000)</u>	<u>955,481</u>
Total Capital Assets, Being Depreciated	<u>15,932,169</u>	<u>301,281</u>	<u>(12,000)</u>	<u>16,221,450</u>
Less Accumulated Depreciation For:				
Buildings	(7,303,807)	(320,674)	-	(7,624,481)
Equipment	<u>(519,342)</u>	<u>(74,201)</u>	<u>11,400</u>	<u>(582,143)</u>
Total Accumulated Depreciation	<u>(7,823,149)</u>	<u>(394,875)</u>	<u>11,400</u>	<u>(8,206,624)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,109,020</u>	<u>(93,594)</u>	<u>(600)</u>	<u>8,014,826</u>
Total Capital Assets, Net	<u>\$ 8,334,850</u>	<u>(46,100)</u>	<u>(56,998)</u>	<u>8,231,752</u>



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Long-term Debt

The School system received no-interest loans from the Environmental Protection Agency for asbestos removal. The loans are to be repaid in semiannual installments of \$2,000 over a period of 20 years.

The following is a summary of debt transactions of the school system for the year ended June 30, 2008:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Non Interest Loan	\$ 2,394	-	2,394	-	-
Compensated Absences	21,013	12,971	1,342	32,642	1,342
Governmental Activities Long Term Liabilities	<u>\$ 23,407</u>	<u>12,971</u>	<u>3,736</u>	<u>32,642</u>	<u>1,342</u>

NOTE 4 - OTHER INFORMATION

Risk Management

The School system purchases commercial insurance for the risks of losses for general liability, employee, administration, and board member dishonesty. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

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

Contingent Liabilities

The Board of Education is a defendant in litigation. The outcome is not presently determinable. It is the opinion of the attorneys that the resolution of this matter will not have a material adverse effect on the financial condition of the Board of Education.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan

Plan Description

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

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

Funding Policy

Elizabethton, Tennessee City Schools requires employees to contribute 5.0% of earnable compensation.

Elizabethton, Tennessee City Schools is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 9.28% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Elizabethton, Tennessee City Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (continued)

Annual Pension Cost

For the year ending June 30, 2008, Elizabethton, Tennessee City School's annual pension cost of \$208,890 to TCRS was equal to Elizabethton, Tennessee City School's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Elizabethton, Tennessee City School's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2008	\$208,890	100.00%	\$0.00
June 30, 2007	\$189,875	100.00%	\$0.00
June 30, 2006	\$141,446	100.00%	\$0.00

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.70% percent funded. The actuarial accrued liability for benefits was \$6.14 million, and the actuarial value of assets was \$5.39 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.76 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.03 million, and the ratio of the UAAL to the covered payroll was 37.17% percent.

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (continued)

Annual Pension Cost (continued)

The annual contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$5,388	\$6,144	\$756	87.70%	\$2,033	37.17%

Plan Description

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (continued)

Plan Description (continued)

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary of the plan. The employer contribution rate for Elizabethton City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2008 was 6.24% of annual covered payroll. The employer contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2008, 2007, and 2006 were \$502,459, \$469,320, and \$424,870, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

The system provides post retirement health benefits for retirees for five years after retirement or until age 65, whichever comes first. At June 30, 2008, the total cost to the system was \$106,231.

## REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
 For the Fiscal Year Ended June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAA)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b-a)/c)
July 1, 2007	\$5,388	\$6,144	\$756	87.70%	\$2,033	37.17%

The Government Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See Independent Auditors' Report.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>General Purpose School Fund:</u>						
Pass Through Other Entities:						
84.000	Education Edge	U.S. Department of Education	\$ 69	-	-	69 **
Pass Through State of Tennessee:						
84.027	High Excess Cost Student	U.S. Department of Education	(9,999)	20,908	0	10,909 **
Total General Purpose School Fund			(9,930)	20,908	0	10,978
<u>School Federal Projects Fund:</u>						
Pass Through State of Tennessee:						
84.048	Carl Perkins (Vocational Program Improvements)	U.S. Department of Education	(14,027)	49,025	46,148	(11,150) *
84.186	Drug Free Schools	U.S. Department of Education	(1,500)	8,474	12,710	(5,736)
84.027	IDEA, Project	U.S. Department of Education	(16,707)	450,118	433,411	-

\* Receivable

\*\* Unused Revenue

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>School Federal Projects Fund (Continued):</u>						
Pass Through State of Tennessee (Continued):						
84.196	Title X Education for Homeless	U.S. Department of Education	-	8,034	19,497	(11,463) *
84.010	Title I, Project	U.S. Department of Education	(91,319)	575,864	522,294	(37,749) *
84.048	Title II, Part A	U.S. Department of Education	(18,226)	114,467	100,779	(4,538) *
84.048	Title II, Part D	U.S. Department of Education	(9,232)	9,232	5,273	(5,273) *
	Total Title II		(27,458)	123,699	106,052	(9,811)
84.126	Vocational Rehabilitation	U.S. Department of Education	(3,674)	5,233	12,774	(11,215) *
84.298A	Title V, Part A - Innovative Programs	U.S. Department of Education	-	3,414	3,414	-
Total School Federal Projects Fund			(154,685)	1,223,861	1,156,300	(87,124)
<u>School Nutrition Fund:</u>						
Pass Through State of Tennessee:						
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	83,497	93,741	(10,244) *
10.555	National School Lunch Program	U.S. Department of Agriculture	-	271,187	298,737	(27,550) *
10.555	National Snack Reimbursement	U.S. Department of Agriculture	-	10,202	11,237	(1,035) *

\* Receivable

\*\* Unused Revenue

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>School Nutrition Fund (Continued):</u>						
Pass Through TN Department of Agriculture						
10.550	USDA: Commodity Supplemental Feeding- Commodities Distributed	Tennessee Department of Agriculture	-	33,453	33,453	-
Total School Nutrition Fund			0	398,339	437,168	(38,829)
TOTAL FEDERAL GRANTS			\$ (164,615)	1,643,108	1,593,468	(114,975)

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

See Independent Auditors' Report.

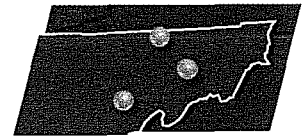
ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2008

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2007	Cash Receipts	Expenditures	Balance June 30, 2008
<u>General Purpose School Fund:</u>						
N/A	Early Childhood Grant - Pilot	Tennessee Department of Education	\$ (49,719)	235,109	275,835	(90,445) *
N/A	Coordinated School Health	Tennessee Department of Education	-	46,575	93,552	(46,977) *
N/A	Early Childhood Grant - Lottery	Tennessee Department of Education	(23,742)	75,664	91,945	(40,023) *
N/A	Safe Schools Act	Tennessee Department of Education	(2,052)	13,418	12,546	(1,180) *
Total General Purpose School Fund			(75,513)	370,766	473,878	(178,625)
<u>School Nutrition Fund:</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	9,534	9,534	-
Total Child Nutrition Fund			0	9,534	9,534	0
TOTAL STATE GRANTS			\$ (75,513)	380,300	483,412	(178,625)

See Independent Auditors' Report.

## SECTION II

### INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited the financial statements of the general purpose school fund, school federal projects fund, and the school nutrition fund, which are a component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elizabethton, Tennessee City Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Elizabethton, Tennessee City Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elizabethton, Tennessee City Schools' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Elizabethton, Tennessee City Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Elizabethton, Tennessee City Schools' financial statements that is more than inconsequential will not be prevented or detected by the Elizabethton, Tennessee City Schools' internal control.

Elizabethton, Tennessee City Schools  
Independent Auditors' Report on  
Internal Control and Compliance

Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Elizabethton, Tennessee City Schools' internal control.

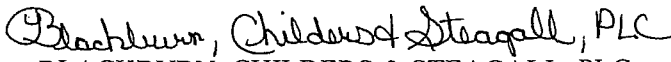
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elizabethton, Tennessee City Schools' financial statements are free of 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*.

We noted certain matters that we reported to management of the Elizabethton, Tennessee City Schools in a separate letter dated November 24, 2008.

This report is intended solely for the information and use of the Elizabethton, Tennessee City School's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 24, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the general purpose school fund, school federal projects fund, and the school nutrition fund, which are a component unit of the City of Elizabethton, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Elizabethton, Tennessee City Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Elizabethton, Tennessee City Schools' management. Our responsibility is to express an opinion on the Elizabethton, Tennessee City Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Elizabethton, Tennessee 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. Our audit does not provide a legal determination on the Elizabethton, Tennessee City Schools' compliance with those requirements.

In our opinion, the Elizabethton, Tennessee City Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Elizabethton, Tennessee City Schools  
Independent Auditors' Report on  
Compliance with Requirements

Page 2

Internal Control Over Compliance

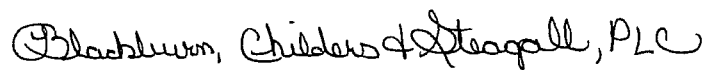
The management of the Elizabethton, Tennessee City Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Elizabethton, Tennessee City Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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, Tennessee City Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Elizabethton, Tennessee City Schools', management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
BLACKBURN, CHILDERS & STEAGALL, PLC

November 24, 2008



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2008

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Section I - Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the general purpose school fund, school federal projects fund, and the school nutrition fund, which are a component unit of the City of Elizabethton, Tennessee.
2. There were no material weaknesses identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Elizabethton, Tennessee City Schools were disclosed during the audit.
4. There were no significant deficiencies identified that are considered material weaknesses relating to the audit of major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton, Tennessee City Schools expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510 (a) of Circular A-133.
7. The programs tested as major programs were IDEA, CFDA #84.027 and USDA School Lunch Program, CFDA #10.555.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Elizabethton, Tennessee City Schools was not determined to be a low risk auditee.

Section II - Financial Statement Finding

Prior Year Finding Implemented: Adjustments: 6-30-07 Report #1, page 52-53.

Section III - Federal Award Findings and Questioned Costs

None