

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2013

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2013

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
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For the Fiscal Year Ended June 30, 2013

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SECTION I
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Elizabethton City Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Elizabethton City Schools
Independent Auditors' Report

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America, and the respective budgetary comparison for each fund.

Emphasis of Matter

As described in Note 1 to the financial statements in fiscal year 2013, the Elizabethton City Schools adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and schedule of funding progress of post-retirement benefits other than pensions on pages 4-9 and page 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elizabethton City Schools' basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Elizabethton City Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elizabethton City Schools' internal control over financial reporting and compliance.

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

November 15, 2013

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

Financial Highlights

The financial status of the Board declined during the year due to the spending of prior year funds designated for specific projects and the increase in the Post Employment Benefit Liability. The additions to capital assets were minor for the year resulting in a 1.3% increase.

- The total General Purpose fund balance decreased by \$113,542, and the School Nutrition decreased by \$20,455.
- The construction of new Athletic Fields at T. A. Dugger Junior High was started.
- A 66-passenger school bus was purchased.
- A new server and generator for the Technology Department were purchased.
- A new walk-in freezer was purchased and installed at Harold McCormick Elementary.
- The renovations for classrooms at East Side Elementary School were completed.

Overview of the Financial Statements

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

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

Government-Wide Statements

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

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

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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

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

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

Fund Financial Statements

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

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

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Financial Analysis of the Board as a Whole

Condensed Statement of Net Position

| | <u>Governmental Activities</u> | | Total % Change 2012-2013 |
|--------------------------------|--------------------------------|-------------------|--------------------------------|
| | <u>2012</u> | <u>2013</u> | |
| Current and Other Assets | \$ 5,357,934 | 5,365,024 | 0.1% |
| Capital Assets | <u>14,520,112</u> | <u>14,705,964</u> | 1.3% |
| Total Assets | <u>19,878,046</u> | <u>20,070,988</u> | 1.0% |
| Current Liabilities | 593,109 | 643,792 | 8.5% |
| Long-Term Liabilities | <u>2,516,313</u> | <u>2,637,032</u> | 4.8% |
| Total Liabilities | <u>3,109,422</u> | <u>3,280,824</u> | 5.5% |
| Deferred Inflows of Resources | <u>2,627,060</u> | <u>2,706,037</u> | 3.0% |
| Net Invested in Capital Assets | 14,520,112 | 14,705,964 | 1.3% |
| Unrestricted | <u>(378,548)</u> | <u>(621,837)</u> | 64.3% |
| Total Net Position | <u>\$ 14,141,564</u> | <u>14,084,127</u> | -0.4% |

Net Position

The Board's Current and Other Assets increased by slightly during the 2012-2013 fiscal year. The increase in Long-Term Liabilities was the result of the estimated calculations for future Post Employment Benefits (medical insurance provided after retirement).

The Board's financial position is the product of many factors. During the 2012-2013 fiscal year, local tax revenue and state BEP funds realized an additional increase due to the continued increase in student enrollment. However, some prior year funds were expended for the projects they were designated. The capital outlay additions included renovation of the old gymnasium to create classrooms at East Side Elementary School; a new server and generator for the Technology Department; a new walk-in freezer at Harold McCormick Elementary; and a 66-passenger school bus. Construction in progress included the new athletic fields at T. A. Dugger Junior High School.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Changes in Net Position from Operating Results

| | <u>Governmental Activities</u> | | Total % Change <u>2012-2013</u> |
|-----------------------------------|--------------------------------|-------------------|---------------------------------------|
| | <u>2012</u> | <u>2013</u> | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 617,055 | 598,479 | -3.0% |
| Operating Grants | 5,730,588 | 5,536,465 | -3.4% |
| Capital Grants and Contributions | - | 25,894 | 100.0% |
| General Revenues | | | |
| Property Taxes | 2,490,899 | 2,688,243 | 7.9% |
| Other Taxes | 1,922,684 | 2,120,868 | 10.3% |
| State Revenues | 10,513,911 | 11,126,930 | 5.8% |
| Other | 58,229 | 12,486 | -78.6% |
| Total Revenues | <u>21,333,366</u> | <u>22,109,365</u> | 3.6% |
| Expenses | | | |
| Instruction | 12,759,662 | 12,955,099 | 1.5% |
| Student Services | 894,520 | 915,019 | 2.3% |
| Instructional Staff Services | 1,067,500 | 1,102,893 | 3.3% |
| General Administration | 602,404 | 642,702 | 6.7% |
| School Administration | 1,005,284 | 1,271,622 | 26.5% |
| Business Services | 282,397 | 296,926 | 5.1% |
| Plant Operation and Maintenance | 2,509,320 | 2,721,386 | 8.5% |
| Student Transportation | 301,654 | 320,680 | 6.3% |
| Central Services | 508,398 | 362,137 | -28.8% |
| Support Services | 258,903 | 318,229 | 22.9% |
| Food Service | 945,197 | 981,149 | 3.8% |
| Community Services | 175,861 | 203,685 | 15.8% |
| Early Childhood Education | 406,919 | 408,771 | 0.5% |
| Total Expenses | <u>21,718,019</u> | <u>22,500,298</u> | 3.6% |
| Decrease in Net Position | (384,653) | (390,933) | |
| Beginning Net Position - Restated | <u>14,526,217</u> | <u>14,475,060</u> | |
| Ending Net Position | <u>\$ 14,141,564</u> | <u>14,084,127</u> | |

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The total cost of all programs and services rose 3.6% to \$22.5 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (78.1% of total costs). The Board's administrative and business activities accounted for 9.8% of total costs. The operation and maintenance of facilities accounted for 12.1% of total costs. The total increase of 3.6% reflects increases due to the expending of prior year funds designated for specific purposes.

Governmental Activities

Revenues for the Board's governmental activities increased by 3.6%, while total expenses increased by 3.6%. The decrease in net position for governmental activities was \$390,933 in 2013.

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 \$1,964,326, which were less than last year's ending fund balances of \$2,099,147. This decrease is due to expending prior year funds designated for specific projects.

The Board's governmental funds experienced revenues and other sources less than expenditures in 2013 as follows:

| | |
|------------------|-----------|
| General Purpose | \$113,542 |
| Federal Projects | \$ 824 |
| Child Nutrition | \$ 20,455 |

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 \$19,361,911 of revenues and other sources would be received, the Board received \$27,099 more than anticipated. The Board budgeted \$20,059,774 of expenditures. The actual expenditures of \$19,528,152 were \$531,524 under budget.

Capital Asset and Debt Administration

By the end of 2013, the Elizabethton City Schools had invested \$14.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an increase of \$185,852 or 1.3% 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 \$582,466, while building improvements and additions to equipment amounted to \$477,097 (net of decreases.)

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Capital Assets (Net of Depreciation)

| | <u>Governmental Activities</u> | | Total % Change <u>2012-2013</u> |
|--------------------------|--------------------------------|-------------------|---------------------------------------|
| | <u>2012</u> | <u>2013</u> | |
| Land | \$ 216,170 | 216,170 | 0.0% |
| Construction In Progress | 63,764 | 356,852 | 459.6% |
| Buildings | 13,476,091 | 13,346,872 | -1.0% |
| Equipment and Vehicles | <u>764,087</u> | <u>786,070</u> | 2.9% |
| Total Assets | <u>\$ 14,520,112</u> | <u>14,705,964</u> | 1.3% |

The Board's fiscal year 2013 capital expenditures consisted of renovation of the old gymnasium to create classrooms at East Side Elementary School. A new server and generator were purchased for the Technology Department. A new walk-in freezer was purchased and installed at Harold McCormick Elementary. Also, a 66-passenger school bus was purchased. Construction in progress included the new athletic fields at T. A. Dugger Junior High School.

Factors Impacting the Future of the School System and Board

Planning for increasing insurance and benefit costs with ObamaCare

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

Providing electronic access for student testing (PARCC)

Increasing Career Technical Education courses for students

Providing for the safety and security of our students

Meeting the requirements of Differentiated Pay

Planning for the Capital Improvements made possible by bonds issued by the City of Elizabethton

Providing junior high and high school student intervention as Race to the Top funding ends

Contacting the Board's Financial Management

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 1,546,427 |
| Accounts Receivable | 20,746 |
| Due from Other Governments | 977,805 |
| Due from Carter County | 2,791,479 |
| Inventories | 28,567 |
| Capital Assets Not Being Depreciated | |
| Land | 216,170 |
| Construction in Progress | 356,852 |
| Capital Assets, Net of Accumulated Depreciation | |
| Buildings | 13,346,872 |
| Equipment | 786,070 |
| Total Assets | <u>20,070,988</u> |
| LIABILITIES | |
| Cash Overdraft | 101,277 |
| Accounts Payable | 542,515 |
| Long-Term Liabilities | |
| Due Within One Year | 1,882 |
| Due in More Than One Year | 2,635,150 |
| Total Liabilities | <u>3,280,824</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Revenues - Current Property Tax | <u>2,706,037</u> |
| Total Deferred Inflows of Resources | <u>2,706,037</u> |
| NET POSITION | |
| Net Invested in Capital Assets | 14,705,964 |
| Unrestricted | <u>(621,837)</u> |
| Total Net Position | <u>\$ 14,084,127</u> |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

| Functions/Programs | Expenses | PROGRAM REVENUES | | | NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION |
|---|--------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction | | | | | |
| Regular Instruction | \$ 9,853,057 | 319,080 | 3,829,935 | - | (5,704,042) |
| Special Education | 2,119,952 | - | 498,387 | - | (1,621,565) |
| Vocational Education | 811,995 | - | 40,570 | - | (771,425) |
| Other | 170,095 | - | - | - | (170,095) |
| Total Instruction | 12,955,099 | 319,080 | 4,368,892 | 0 | (8,267,127) |
| Support Services | | | | | |
| Student Services | 915,019 | - | 87,974 | - | (827,045) |
| Instructional Staff | 1,102,893 | - | - | - | (1,102,893) |
| General Administrative | 642,702 | - | - | - | (642,702) |
| School Administrative | 1,271,622 | - | - | - | (1,271,622) |
| Business Administrative | 296,926 | - | - | - | (296,926) |
| Plant Operation and Maintenance | 2,721,386 | - | - | 25,894 | (2,695,492) |
| Student Transportation | 320,680 | - | - | - | (320,680) |
| Support Services | 318,229 | - | - | - | (318,229) |
| Central Services | 362,137 | - | - | - | (362,137) |
| Total Support Services | 7,951,594 | 0 | 87,974 | 25,894 | (7,837,726) |
| Food Service | 981,149 | 279,399 | 678,898 | - | (22,852) |
| Community Services | 203,685 | - | - | - | (203,685) |
| Early Childhood Education | 408,771 | - | 400,701 | - | (8,070) |
| Total Governmental Activities | 22,500,298 | 598,479 | 5,536,465 | 25,894 | (16,339,460) |
| General Revenues | | | | | |
| Payments from Carter County | | | | | |
| Property Taxes | | | | | 2,688,243 |
| Sales Taxes | | | | | 2,029,484 |
| Other Taxes | | | | | 89,630 |
| Other Local Governments | | | | | 1,754 |
| State Aid | | | | | 11,126,930 |
| Unrestricted Investment Earnings | | | | | 12,762 |
| Miscellaneous | | | | | 457 |
| Loss on Disposal of Capital Assets | | | | | (1,867) |
| Contributions and Donations not Restricted to Specific Programs | | | | | 1,134 |
| Total General Revenues | | | | | 15,948,527 |
| Change in Net Position | | | | | (390,933) |
| Net Position - Beginning - Restated | | | | | 14,475,060 |
| Net Position - Ending | | | | | \$ 14,084,127 |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

| | General Purpose School Fund | School Federal Projects Fund | School Nutrition Fund | Total Governmental Funds |
|--|-----------------------------------|------------------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | |
| Cash in Bank | \$ 1,305,323 | - | 241,104 | 1,546,427 |
| Accounts Receivable | 20,322 | - | 424 | 20,746 |
| Due from Other Governments | 861,977 | 115,828 | - | 977,805 |
| Due from Carter County | 2,791,479 | - | - | 2,791,479 |
| Inventories | - | - | 28,567 | 28,567 |
| TOTAL ASSETS | \$ 4,979,101 | 115,828 | 270,095 | 5,365,024 |
| LIABILITIES | | | | |
| Cash Overdraft | \$ - | 101,277 | - | 101,277 |
| Accounts Payable | 526,575 | 14,551 | 1,389 | 542,515 |
| Total Liabilities | 526,575 | 115,828 | 1,389 | 643,792 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Revenues - Current Property Tax | 2,706,037 | - | - | 2,706,037 |
| Deferred Revenues - Unavailable | 50,869 | - | - | 50,869 |
| Total Deferred Inflows of Resources | 2,756,906 | 0 | 0 | 2,756,906 |
| FUND BALANCES | | | | |
| Non-Spendable | | | | |
| Inventories | - | - | 28,567 | 28,567 |
| Restricted for | | | | |
| Operations of Noninstructional Program | - | - | 240,139 | 240,139 |
| Assigned to | | | | |
| Community Involvement | 3,204 | - | - | 3,204 |
| EHS Piano and EMS Simulator | 30,500 | - | - | 30,500 |
| Equipment | 35,000 | - | - | 35,000 |
| Homeless Donation | 300 | - | - | 300 |
| Maintenance Controls | 75,000 | - | - | 75,000 |
| T.A. Dugger | 200,000 | - | - | 200,000 |
| T.A. Dugger Ball Fields | 120,000 | - | - | 120,000 |
| Technology | 81,413 | - | - | 81,413 |
| Bus | 81,212 | - | - | 81,212 |
| After School | 17,973 | - | - | 17,973 |
| Early Learning Center | 5,289 | - | - | 5,289 |
| Unassigned | 1,045,729 | - | - | 1,045,729 |
| Total Fund Balances | 1,695,620 | 0 | 268,706 | 1,964,326 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 4,979,101 | 115,828 | 270,095 | 5,365,024 |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 1,964,326 |
|--|--------------|

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

| | |
|--|------------|
| Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$25,126,621 and the accumulated depreciation is \$(10,420,657). | 14,705,964 |
|--|------------|

| | |
|--|--------|
| Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds. | 50,869 |
|--|--------|

| | |
|---|-------------|
| OPEB benefits represent liabilities of the School System that are not due and payable in the current period and, therefore, are not recorded at the fund level. | (2,589,397) |
|---|-------------|

| | |
|---|-----------------|
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | <u>(47,635)</u> |
|---|-----------------|

| | |
|--|-----------------------------|
| Total Net Position - Governmental Activities | <u><u>\$ 14,084,127</u></u> |
|--|-----------------------------|

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

| | General Purpose School Fund | School Federal Projects Fund | School Nutrition Fund | Total Governmental Funds |
|--|-----------------------------------|------------------------------------|-----------------------------|--------------------------------|
| REVENUES | | | | |
| Payments from County and City | \$ 7,125,245 | - | - | 7,125,245 |
| Revenue from State of Tennessee | 11,917,966 | - | 21,148 | 11,939,114 |
| Revenue from Federal Government | - | 1,750,451 | 657,750 | 2,408,201 |
| Charges for Services | 319,080 | - | 279,399 | 598,479 |
| Investment Earnings | 11,539 | - | 1,223 | 12,762 |
| Other | 15,180 | - | - | 15,180 |
| Total Revenues | 19,389,010 | 1,750,451 | 959,520 | 22,098,981 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular Instruction | 8,994,133 | 642,941 | - | 9,637,074 |
| Special Education | 1,601,904 | 476,188 | - | 2,078,092 |
| Vocational Education | 767,802 | 28,159 | - | 795,961 |
| Student Body | 166,736 | - | - | 166,736 |
| Support Services | | | | |
| Student Services | 896,951 | - | - | 896,951 |
| Instructional Staff | 828,168 | 252,947 | - | 1,081,115 |
| General Administrative | 630,011 | - | - | 630,011 |
| School Administrative | 1,246,513 | - | - | 1,246,513 |
| Business Administrative | 291,063 | - | - | 291,063 |
| Plant Operation and Maintenance | 2,096,685 | - | - | 2,096,685 |
| Student Transportation | 300,853 | 13,495 | - | 314,348 |
| Central Services | 354,986 | - | - | 354,986 |
| Other Support Services | - | 311,945 | - | 311,945 |
| Food Services | - | - | 961,775 | 961,775 |
| Community Services | 199,663 | - | - | 199,663 |
| Early Childhood Education | 400,699 | - | - | 400,699 |
| Capital Outlay | 751,985 | - | 18,200 | 770,185 |
| Total Expenditures | 19,528,152 | 1,725,675 | 979,975 | 22,233,802 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (139,142) | 24,776 | (20,455) | (134,821) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 29,100 | 128,601 | - | 157,701 |
| Transfers Out | (3,500) | (154,201) | - | (157,701) |
| Total Other Financing Sources (Uses) | 25,600 | (25,600) | 0 | 0 |
| NET CHANGE IN FUND BALANCES | (113,542) | (824) | (20,455) | (134,821) |
| FUND BALANCES, JULY 1, 2012 | 1,809,162 | 824 | 289,161 | 2,099,147 |
| FUND BALANCES, JUNE 30, 2013 | \$ 1,695,620 | 0 | 268,706 | 1,964,326 |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

| | |
|--|--------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (134,821) |
|--|--------------|

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

| | |
|--|-----------|
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense of \$770,185 exceeds depreciation expense of \$582,466. | 187,719 |
| The net effect if various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. | (1,867) |
| Because some property taxes and grants will not be collected for several months after the fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount for the current fiscal year. | 12,251 |
| In the Statement of Activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the fiscal year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current fiscal year. | (6,345) |
| Liability for OPEB benefits are not reported in the governmental funds and increased by this amount for the current fiscal year. | (447,870) |

| | |
|---|--------------|
| Change in Net Position of Governmental Activities | \$ (390,933) |
|---|--------------|

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|---------------------------------|------------------------------|-------------------|---|
| REVENUES | | | | |
| PAYMENTS FROM COUNTY AND CITY | | | | |
| Carter County | | | | |
| Local Sales Tax | \$ 2,000,000 | 2,050,886 | 2,029,484 | (21,402) |
| County Property Tax | 2,520,050 | 2,694,945 | 2,739,976 | 45,031 |
| Other Local Tax | 21,000 | 24,415 | 23,785 | (630) |
| City of Elizabethton | | | | |
| Contributions | 2,332,000 | 2,332,000 | 2,332,000 | - |
| Total Payments from County and City | 6,873,050 | 7,102,246 | 7,125,245 | 22,999 |
| INTERGOVERNMENTAL REVENUES | | | | |
| State of Tennessee | | | | |
| Basic Education Program | 10,697,000 | 10,974,540 | 10,974,540 | - |
| Driver Education | 8,000 | 8,000 | 7,132 | (868) |
| Career Ladder Program | 109,194 | 93,549 | 93,490 | (59) |
| Career Ladder - Extended Contract | 93,360 | 58,900 | 58,900 | - |
| Early Childhood Education | 393,608 | 400,701 | 400,701 | - |
| Other State Education Funds | 362,687 | 383,206 | 383,203 | (3) |
| Total Intergovernmental Revenues | 11,663,849 | 11,918,896 | 11,917,966 | (930) |
| MISCELLANEOUS REVENUES | | | | |
| Tuition | 278,690 | 313,894 | 319,080 | 5,186 |
| Rental of School Property | 1,500 | 475 | 457 | (18) |
| Interest Income | 12,500 | 11,550 | 11,539 | (11) |
| Donations | 200 | 1,125 | 1,134 | 9 |
| Marriage Licenses | 600 | 600 | 608 | 8 |
| Other Local Revenues | 1,500 | 1,825 | 1,754 | (71) |
| E-Rate Funding | 2,500 | 10,000 | 9,974 | (26) |
| Mixed Drinks | 2,500 | 1,300 | 1,253 | (47) |
| Total Miscellaneous Revenues | 299,990 | 340,769 | 345,799 | 5,030 |
| TOTAL REVENUES | 18,836,889 | 19,361,911 | 19,389,010 | 27,099 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES | | | | |
| Instruction | | | | |
| Instruction - Regular Instruction | | | | |
| Teachers | 5,922,735 | 6,046,346 | 6,041,450 | 4,896 |
| Career Ladder Program | 55,500 | 50,000 | 49,985 | 15 |
| Career Ladder - Extended Contract | 80,000 | 52,149 | 52,149 | - |
| Homebound Teachers | 7,500 | 7,500 | 4,500 | 3,000 |
| Educational Assistants | 196,863 | 196,863 | 189,238 | 7,625 |
| Other Salaries and Wages | 30,000 | 7,500 | 7,500 | - |
| Certified Substitute Teachers | 25,000 | 25,000 | 23,873 | 1,127 |
| Non-Certified Substitute Teachers | 100,000 | 100,000 | 90,761 | 9,239 |
| Social Security | 424,032 | 387,075 | 383,025 | 4,050 |
| State Retirement | 537,590 | 543,611 | 543,594 | 17 |
| Life Insurance | 12,285 | 13,085 | 12,933 | 152 |
| Medical Insurance | 974,550 | 1,067,449 | 1,050,991 | 16,458 |
| Dental Insurance | 47,980 | 49,530 | 46,175 | 3,355 |
| Medicare | 92,296 | 91,487 | 90,462 | 1,025 |
| Other Contracted Services | 1,800 | 1,800 | 1,317 | 483 |
| Instructional Supplies | 99,000 | 99,000 | 93,362 | 5,638 |
| Textbooks | 245,000 | 236,050 | 235,906 | 144 |
| Other Supplies and Materials | 33,120 | 39,420 | 37,608 | 1,812 |
| Equipment and Furniture | - | 39,402 | 39,304 | 98 |
| Total Instruction - Regular Instruction | 8,885,251 | 9,053,267 | 8,994,133 | 59,134 |
| Instruction - Special Education | | | | |
| Teachers | 725,569 | 725,569 | 722,286 | 3,283 |
| Career Ladder Program | 7,500 | 6,500 | 6,500 | - |
| Homebound Teachers | 2,000 | 2,000 | 530 | 1,470 |
| Educational Assistants | 209,471 | 188,471 | 160,399 | 28,072 |
| Speech Pathologist | 131,416 | 131,416 | 131,416 | - |
| Certified Substitute Teachers | 2,000 | 10,000 | 9,674 | 326 |
| Non-Certified Substitute Teachers | 10,000 | 25,500 | 25,014 | 486 |
| Other Salaries and Wages | 6,936 | 7,436 | 7,435 | 1 |
| Social Security | 68,193 | 66,863 | 63,684 | 3,179 |
| State Retirement | 90,721 | 90,576 | 87,926 | 2,650 |
| Life Insurance | 2,295 | 2,295 | 2,205 | 90 |
| Medical Insurance | 239,346 | 242,714 | 228,426 | 14,288 |
| Dental Insurance | 12,509 | 12,509 | 10,703 | 1,806 |
| Medicare | 15,947 | 15,932 | 14,901 | 1,031 |
| Other Contracted Services | 105,269 | 130,269 | 122,011 | 8,258 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instruction (Continued) | | | | |
| Instruction - Special Education (Continued) | | | | |
| Instructional Supplies | 9,500 | 9,538 | 6,986 | 2,552 |
| Other Supplies and Materials | 1,000 | 1,000 | 358 | 642 |
| Other Charges | 6,000 | 6,000 | 450 | 5,550 |
| Special Education Equipment | - | 1,000 | 1,000 | - |
| Total Instruction - Special Education | <u>1,645,672</u> | <u>1,675,588</u> | <u>1,601,904</u> | <u>73,684</u> |
| Instruction - Vocational Education | | | | |
| Teachers | 531,726 | 534,726 | 534,135 | 591 |
| Career Ladder Program | 5,000 | 4,500 | 4,500 | - |
| Certified Substitute Teachers | 500 | 650 | 608 | 42 |
| Non-Certified Substitute Teachers | 5,500 | 9,000 | 8,594 | 406 |
| Social Security | 33,650 | 33,530 | 32,579 | 951 |
| State Retirement | 48,750 | 48,790 | 48,769 | 21 |
| Life Insurance | - | - | - | - |
| Medical Insurance | 87,189 | 96,405 | 96,348 | 57 |
| Dental Insurance | 5,060 | 5,060 | 4,729 | 331 |
| Medicare | 7,870 | 7,865 | 7,641 | 224 |
| Maintenance and Repair - Equipment | 2,500 | 2,500 | 402 | 2,098 |
| Instructional Supplies | 19,000 | 25,500 | 25,452 | 48 |
| Other Supplies and Charges | 1,000 | 4,700 | 4,045 | 655 |
| Total Instruction - Vocational Education | <u>747,745</u> | <u>773,226</u> | <u>767,802</u> | <u>5,424</u> |
| Instruction - Student Body | | | | |
| Other Salaries and Wages | 115,000 | 140,000 | 133,512 | 6,488 |
| Social Security | 7,130 | 8,230 | 8,150 | 80 |
| State Retirement | 8,500 | 8,500 | 8,268 | 232 |
| Employer Medicare | 1,670 | 1,920 | 1,906 | 14 |
| Other Supplies and Materials | 4,400 | 4,400 | 4,400 | - |
| Other Charges | 18,800 | 10,500 | 10,500 | - |
| Total Instruction - Student Body | <u>155,500</u> | <u>173,550</u> | <u>166,736</u> | <u>6,814</u> |
| Total Instructional Expenditures | <u>11,434,168</u> | <u>11,675,631</u> | <u>11,530,575</u> | <u>144,958</u> |
| Support Services | | | | |
| Student Services - Attendance | | | | |
| Supervisor/Director | 1,200 | 1,350 | 1,350 | - |
| Secretary(ies) | 34,528 | 34,528 | 34,528 | - |
| Social Security | 2,215 | 2,215 | 1,977 | 238 |
| State Retirement | 2,969 | 2,969 | 2,982 | (13) |
| Life Insurance | 45 | 45 | 45 | - |
| Medical | 5,795 | 7,565 | 7,563 | 2 |
| Dental | 315 | 315 | 307 | 8 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Support Services (Continued) | | | | |
| Student Services - Attendance (Continued) | | | | |
| Medicare | 518 | 518 | 462 | 56 |
| Other Supplies and Materials | 2,000 | 2,000 | 843 | 1,157 |
| Travel | 3,000 | 4,750 | 4,719 | 31 |
| Total Student Services - Attendance | 52,585 | 56,255 | 54,776 | 1,479 |
| Student Services - Health Services | | | | |
| Supervisor/Director | 52,244 | 41,889 | 41,889 | - |
| Medical Personnel | 147,518 | 147,518 | 147,293 | 225 |
| Social Security | 12,387 | 11,712 | 11,227 | 485 |
| State Retirement | 17,518 | 16,151 | 15,922 | 229 |
| Life Insurance | 405 | 405 | 401 | 4 |
| Medical Insurance | 49,134 | 49,219 | 40,920 | 8,299 |
| Dental Insurance | 2,217 | 2,207 | 2,121 | 86 |
| Medicare | 2,897 | 2,740 | 2,626 | 114 |
| Travel | 725 | 725 | 362 | 363 |
| Other Contracted Services | 4,300 | 1,200 | 1,200 | - |
| Other Supplies and Materials | 11,000 | 28,872 | 28,809 | 63 |
| Other Charges | 750 | 750 | 683 | 67 |
| In-Service/Staff Development | 5,320 | 3,380 | 3,379 | 1 |
| Total Student Services - Health Services | 306,415 | 306,768 | 296,832 | 9,936 |
| Student Services - Other Student Support | | | | |
| Career Ladder Program | 2,000 | 1,000 | 1,000 | - |
| Guidance Personnel | 287,549 | 253,999 | 253,957 | 42 |
| Secretaries | 95,238 | 95,238 | 95,241 | (3) |
| Social Security | 23,857 | 23,797 | 20,896 | 2,901 |
| State Retirement | 33,610 | 33,520 | 30,536 | 2,984 |
| Life Insurance | 765 | 765 | 680 | 85 |
| Medical Insurance | 74,960 | 69,520 | 67,212 | 2,308 |
| Dental Insurance | 3,485 | 3,110 | 3,016 | 94 |
| Medicare | 5,578 | 5,563 | 4,887 | 676 |
| Evaluation and Testing | 17,000 | 17,000 | 9,846 | 7,154 |
| Other Contracted Services | 60,000 | 60,000 | 52,072 | 7,928 |
| Other Charges | 6,000 | 6,000 | 6,000 | - |
| Other Supplies and Materials | - | - | - | - |
| Total Student Services - Other Student Support | 610,042 | 569,512 | 545,343 | 24,169 |
| Total Student Services Support Services | 969,042 | 932,535 | 896,951 | 35,584 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instructional Staff | | | | |
| Instructional Staff Services - Regular Instruction | | | | |
| Supervisor/Director | 129,881 | 129,881 | 129,708 | 173 |
| Career Ladder Program | 8,000 | 11,000 | 11,000 | - |
| Librarians | 235,596 | 235,596 | 235,596 | - |
| Secretary | 17,264 | 17,264 | 17,264 | - |
| Education Assistants | 29,026 | 29,026 | 28,358 | 668 |
| Social Security | 29,140 | 26,230 | 24,780 | 1,450 |
| State Retirement | 41,476 | 37,331 | 37,198 | 133 |
| Life Insurance | 788 | 788 | 706 | 82 |
| Medical Insurance | 74,764 | 72,224 | 71,900 | 324 |
| Dental Insurance | 2,966 | 3,216 | 3,221 | (5) |
| Medicare | 7,332 | 6,647 | 5,795 | 852 |
| Maintenance and Repair - Equipment | 5,900 | 5,900 | 5,763 | 137 |
| Travel | 1,000 | 1,000 | 892 | 108 |
| Library Books/Media | 36,700 | 36,700 | 36,674 | 26 |
| Other Contracted Services | - | 5,000 | 5,000 | - |
| Other Supplies and Materials | 3,500 | 3,500 | 233 | 3,267 |
| In-Service/Staff Development | 13,100 | 13,100 | 8,133 | 4,967 |
| Other Charges | 20,000 | 2,000 | - | 2,000 |
| Education Media Personnel | 50,240 | - | - | - |
| Total Instructional Staff Services - Regular Instruction | 706,673 | 636,403 | 622,221 | 14,182 |
| Instructional Staff Services - Special Education | | | | |
| Supervisor/Director | 66,866 | 67,091 | 67,078 | 13 |
| Secretaries | 25,896 | 25,896 | 25,896 | - |
| Social Security | 5,751 | 5,751 | 5,683 | 68 |
| State Retirement | 8,085 | 8,085 | 8,102 | (17) |
| Life Insurance | 110 | 110 | 110 | - |
| Medical Insurance | 14,280 | 14,685 | 13,445 | 1,240 |
| Dental Insurance | 820 | 820 | 721 | 99 |
| Medicare | 1,345 | 1,345 | 1,330 | 15 |
| Maintenance and Repair - Equipment | 500 | 500 | 380 | 120 |
| Travel | 2,500 | 2,500 | 1,415 | 1,085 |
| In-Service/Staff Development | 3,500 | 8,500 | 6,366 | 2,134 |
| Other Charges | 3,500 | 11,000 | 7,917 | 3,083 |
| Total Instructional Staff Services - Special Education | 133,153 | 146,283 | 138,443 | 7,840 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instructional Staff (Continued) | | | | |
| Instructional Staff Services - Vocational Education | | | | |
| Supervisor/Director | 30,744 | 30,894 | 30,894 | - |
| Career Ladder Program | 1,800 | 1,800 | 1,800 | - |
| Secretaries | 21,689 | 21,689 | 21,689 | - |
| Social Security | 1,345 | 1,345 | 1,345 | - |
| State Retirement | 1,798 | 1,798 | 1,798 | - |
| Life Insurance | 45 | 45 | 45 | - |
| Medical Insurance | 5,975 | 6,175 | 6,172 | 3 |
| Dental Insurance | 315 | 315 | 307 | 8 |
| Medicare | 786 | 786 | 789 | (3) |
| In-Service/Staff Development | 3,700 | 3,700 | 2,665 | 1,035 |
| Total Instructional Staff Services - Vocational Education | 68,197 | 68,547 | 67,504 | 1,043 |
| Total Instructional Staff Support Services | 908,023 | 851,233 | 828,168 | 23,065 |
| General Administrative | | | | |
| General Administrative Services - Board of Education | | | | |
| Secretary to Board | 1,200 | 1,350 | 1,350 | - |
| Social Security | 74 | 84 | 81 | 3 |
| State Retirement | 99 | 114 | 112 | 2 |
| Unemployment Compensation | 50,000 | 50,000 | 28,796 | 21,204 |
| Medicare | 17 | 22 | 19 | 3 |
| Audit Services | 28,000 | 28,000 | 28,000 | - |
| Dues and Memberships | 8,350 | 6,500 | 5,121 | 1,379 |
| Legal Services | 18,000 | 18,000 | 11,744 | 6,256 |
| Other Contracted Services | 2,000 | 2,000 | 2,000 | - |
| Liability Insurance | 33,000 | 34,850 | 34,833 | 17 |
| Premium on Corporate Surety Bonds | 1,350 | 1,350 | 1,328 | 22 |
| Trustee Commissions | 85,000 | 85,000 | 71,492 | 13,508 |
| Workers' Compensation | 140,000 | 140,000 | 136,411 | 3,589 |
| In-Service/Staff Development | 7,750 | 7,750 | 5,855 | 1,895 |
| Other Charges | 2,000 | 3,500 | 3,386 | 114 |
| Total General Admin. Svcs. - Board of Education | 376,840 | 378,520 | 330,528 | 47,992 |
| General Administrative Services - | | | | |
| Office of the Superintendent | | | | |
| County Official/Administrative Officer | 89,898 | 93,938 | 93,934 | 4 |
| Career Ladder Program | 1,000 | 600 | 600 | - |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| General Administrative (Continued) | | | | |
| General Administrative Services - | | | | |
| Office of the Superintendent (Continued) | | | | |
| Secretaries | 40,290 | 40,290 | 40,290 | - |
| Clerical Personnel | 34,528 | 34,528 | 34,528 | - |
| Other Salaries and Wages | 4,800 | 4,800 | 4,800 | - |
| Social Security | 10,572 | 10,677 | 10,650 | 27 |
| State Retirement | 14,702 | 15,042 | 15,023 | 19 |
| Life Insurance | 180 | 180 | 180 | - |
| Medical Insurance | 17,385 | 17,660 | 17,657 | 3 |
| Dental Insurance | 945 | 945 | 920 | 25 |
| Medicare | 2,473 | 2,518 | 2,491 | 27 |
| Advertising | 3,500 | 4,300 | 4,287 | 13 |
| Communication | 50,000 | 55,000 | 46,558 | 8,442 |
| Dues and Memberships | 2,000 | 2,000 | 1,226 | 774 |
| Postal Charges | 7,500 | 7,500 | 7,467 | 33 |
| Printing, Stationery and Forms | 1,500 | 1,500 | 297 | 1,203 |
| Travel | 450 | 450 | - | 450 |
| Other Contracted Services | 6,000 | 4,000 | 1,577 | 2,423 |
| Office Supplies | 6,000 | 6,725 | 6,387 | 338 |
| In-Service/Staff Development | 3,400 | 3,400 | 2,188 | 1,212 |
| Other Charges | 6,475 | 9,125 | 8,423 | 702 |
| Total General Admin. Svcs. - Office of the Superintendent | 303,598 | 315,178 | 299,483 | 15,695 |
| Total General Administrative Support Services | 680,438 | 693,698 | 630,011 | 63,687 |
| School Administrative | | | | |
| School Administrative Services - Office of the Principal | | | | |
| Principals | 348,034 | 354,184 | 349,900 | 4,284 |
| Career Ladder Program | 13,000 | 6,300 | 6,300 | - |
| Assistant Principals | 290,427 | 261,427 | 256,771 | 4,656 |
| Secretaries | 161,271 | 179,921 | 178,002 | 1,919 |
| Other Salaries and Wages | 10,196 | 126,046 | 126,033 | 13 |
| Social Security | 51,023 | 51,573 | 51,568 | 5 |
| State Retirement | 71,241 | 76,366 | 76,351 | 15 |
| Life Insurance | 1,350 | 1,440 | 1,431 | 9 |
| Medical Insurance | 142,509 | 162,201 | 158,592 | 3,609 |
| Dental Insurance | 6,966 | 7,086 | 6,952 | 134 |
| Medicare | 11,932 | 12,587 | 12,582 | 5 |
| Travel | 2,000 | 2,250 | 1,806 | 444 |
| Office Supplies | 17,225 | 17,225 | 17,221 | 4 |
| In-Service/Staff Development | 2,500 | 3,550 | 3,004 | 546 |
| Total School Administrative Services - Office of the Principal | 1,129,674 | 1,262,156 | 1,246,513 | 15,643 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Business Administrative Services - Fiscal Services | | | | |
| Supervisor/Director | 72,308 | 72,558 | 72,558 | - |
| Accountants/Bookkeepers | 70,283 | 70,283 | 70,283 | - |
| Secretaries | 34,528 | 34,528 | 34,528 | - |
| Clerical Personnel | 26,229 | 26,229 | 26,229 | - |
| Social Security | 12,607 | 12,607 | 12,264 | 343 |
| State Retirement | 17,284 | 17,284 | 17,306 | (22) |
| Life Insurance | 270 | 270 | 270 | - |
| Medical Insurance | 35,900 | 37,100 | 37,061 | 39 |
| Dental Insurance | 1,885 | 1,885 | 1,840 | 45 |
| Medicare | 2,948 | 2,948 | 2,868 | 80 |
| Data Processing Services | 6,000 | 4,900 | 4,805 | 95 |
| Dues and Subscriptions | 125 | 125 | 25 | 100 |
| Travel | 500 | 500 | 99 | 401 |
| Data Processing Supplies | 750 | 750 | 524 | 226 |
| Office Supplies | 5,000 | 5,000 | 2,954 | 2,046 |
| In-Service/Staff Development | 3,000 | 3,000 | 2,472 | 528 |
| Other Equipment | - | 4,325 | 4,323 | 2 |
| Other Charges | 1,000 | 1,000 | 654 | 346 |
| Total Bus. Admin. Svcs. - Fiscal Services | 290,617 | 295,292 | 291,063 | 4,229 |
| Operation and Maintenance | | | | |
| Operation and Maintenance - Operation of Plant | | | | |
| Supervisor/Director | 28,142 | 28,642 | 28,626 | 16 |
| Custodial Personnel | 284,077 | 284,077 | 272,008 | 12,069 |
| Social Security | 19,354 | 19,354 | 17,853 | 1,501 |
| State Retirement | 25,880 | 25,880 | 24,853 | 1,027 |
| Life Insurance | 900 | 900 | 887 | 13 |
| Medical Insurance | 127,775 | 136,325 | 133,186 | 3,139 |
| Dental Insurance | 6,655 | 6,905 | 6,467 | 438 |
| Medicare | 4,528 | 4,528 | 4,177 | 351 |
| Other Contracted Services | 65,000 | 65,000 | 52,051 | 12,949 |
| Custodial Supplies | 43,000 | 43,500 | 42,764 | 736 |
| Electricity | 475,000 | 460,000 | 446,203 | 13,797 |
| Natural Gas | 180,000 | 115,000 | 105,207 | 9,793 |
| Water and Sewer | 40,000 | 40,000 | 31,916 | 8,084 |
| Boiler Insurance | 4,800 | 5,375 | 5,355 | 20 |
| Building and Contents Insurance | 90,000 | 97,600 | 97,550 | 50 |
| Other Charges | 12,000 | 12,000 | 9,169 | 2,831 |
| Total Oper. and Maint. - Operation of Plant | 1,407,111 | 1,345,086 | 1,278,272 | 66,814 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Operation and Maintenance (Continued) | | | | |
| Operation and Maintenance - Maintenance of Plant | | | | |
| Supervisor/Director | 16,422 | 16,497 | 16,484 | 13 |
| Maintenance Personnel | 220,831 | 225,531 | 225,621 | (90) |
| Social Security | 14,710 | 14,710 | 14,431 | 279 |
| State Retirement | 19,766 | 20,166 | 20,079 | 87 |
| Life Insurance | 293 | 293 | 293 | - |
| Medical Insurance | 39,005 | 39,005 | 38,673 | 332 |
| Dental Insurance | 1,965 | 1,965 | 1,866 | 99 |
| Medicare | 3,441 | 3,441 | 3,375 | 66 |
| Laundry Service | 3,000 | 4,500 | 4,298 | 202 |
| Maintenance and Repair - Buildings | 240,000 | 505,286 | 433,165 | 72,121 |
| Maintenance and Repair - Equipment | 2,500 | 2,500 | - | 2,500 |
| Maintenance and Repair - Vehicles | 5,000 | 6,750 | 5,986 | 764 |
| Other Contracted Services | 48,000 | 53,465 | 53,012 | 453 |
| Other Equipment | 3,100 | 1,000 | 1,000 | - |
| In-Service/Staff Development | 750 | 750 | 130 | 620 |
| Total Oper. and Maint. - Maintenance of Plant | 618,783 | 895,859 | 818,413 | 77,446 |
| Total Operation and Maintenance Support Services | 2,025,894 | 2,240,945 | 2,096,685 | 144,260 |
| Student Transportation | | | | |
| Supervisor/Director | 2,500 | 2,500 | 2,500 | - |
| Mechanics | 7,500 | 10,000 | 10,059 | (59) |
| Bus Drivers | 75,210 | 80,560 | 78,367 | 2,193 |
| Other Salaries and Wages | 15,000 | 15,000 | 12,884 | 2,116 |
| Social Security | 6,212 | 6,217 | 5,941 | 276 |
| State Retirement | 8,366 | 8,816 | 8,593 | 223 |
| Life Insurance | 338 | 338 | 337 | 1 |
| Medical Insurance | 42,000 | 42,325 | 42,292 | 33 |
| Dental Insurance | 2,375 | 2,375 | 2,300 | 75 |
| Medicare | 1,454 | 1,459 | 1,389 | 70 |
| Maintenance and Repair - Vehicles | 5,250 | 5,250 | 4,521 | 729 |
| Medical and Dental Services | 2,000 | 2,000 | 1,818 | 182 |
| Diesel Fuel | 53,000 | 55,450 | 55,406 | 44 |
| Gasoline | 12,000 | 14,500 | 14,127 | 373 |
| Tires and Tubes | 12,000 | 12,000 | 7,270 | 4,730 |
| Vehicle Parts | 15,000 | 18,000 | 17,707 | 293 |
| Vehicle Insurance | 28,000 | 30,125 | 30,118 | 7 |
| In-Service/Staff Development | 1,000 | 1,000 | 950 | 50 |
| Other Charges | 5,000 | 5,000 | 4,274 | 726 |
| Total Student Transportation Support Services | 294,205 | 312,915 | 300,853 | 12,062 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Central Services | | | | |
| Supervisor/Director | 49,265 | 49,465 | 49,453 | 12 |
| Data Processing Personnel | 117,791 | 117,791 | 117,199 | 592 |
| Social Security | 10,357 | 10,357 | 9,861 | 496 |
| State Retirement | 14,141 | 14,141 | 14,107 | 34 |
| Life Insurance | 203 | 203 | 203 | - |
| Medical Insurance | 24,515 | 24,915 | 24,896 | 19 |
| Dental Insurance | 1,175 | 1,175 | 1,150 | 25 |
| Medicare | 2,422 | 2,422 | 2,306 | 116 |
| Maintenance and Repair - Equipment | 24,000 | 24,000 | 23,856 | 144 |
| Travel | 2,000 | 2,000 | 1,559 | 441 |
| Other Contracted Services | 55,000 | 70,000 | 68,540 | 1,460 |
| Data Processing Supplies | 10,000 | 10,000 | 9,991 | 9 |
| Other Supplies and Materials | 6,000 | 6,000 | 6,000 | - |
| In-Service/Staff Development | 2,000 | 2,000 | 2,000 | - |
| Furniture and Fixtures | - | 3,300 | 3,268 | 32 |
| Data Processing Equipment | 27,500 | 23,663 | 20,597 | 3,066 |
| Total Central Services Support Services | 346,369 | 361,432 | 354,986 | 6,446 |
| Total Support Services | 6,644,262 | 6,950,206 | 6,645,230 | 304,976 |
| Community Services | | | | |
| Supervisor/Director | 35,300 | 23,711 | 23,612 | 99 |
| Other Salaries and Wages | 87,432 | 110,030 | 107,951 | 2,079 |
| Social Security | 5,617 | 8,108 | 8,114 | (6) |
| State Retirement | 4,930 | 3,334 | 3,000 | 334 |
| Life Insurance | 90 | 63 | 50 | 13 |
| Medical Insurance | 5,889 | 3,691 | 3,646 | 45 |
| Dental Insurance | 317 | 209 | 192 | 17 |
| Medicare | 1,761 | 1,881 | 1,898 | (17) |
| Travel | 3,000 | 9,040 | 8,338 | 702 |
| Food Supplies | 2,500 | 5,270 | 4,082 | 1,188 |
| Communication | 800 | - | - | - |
| Other Supplies and Materials | 8,341 | 26,392 | 24,619 | 1,773 |
| Other Charges | 2,500 | 14,097 | 12,506 | 1,591 |
| Other Equipment | 23,200 | 13,040 | 1,655 | 11,385 |
| Printing, Stationery, and Form | 5,500 | - | - | - |
| Total Community Services | 187,177 | 218,866 | 199,663 | 19,203 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Early Childhood Education | | | | |
| Supervisor/Director | 54,231 | 54,421 | 54,419 | 2 |
| Teachers | 78,891 | 90,410 | 90,410 | - |
| Bus Drivers | 14,628 | 15,903 | 15,903 | - |
| Secretary(ies) | 15,317 | 15,317 | 15,317 | - |
| Educational Assistants | 93,869 | 93,979 | 95,951 | (1,972) |
| Custodian | 12,675 | 9,200 | 9,196 | 4 |
| Social Security | 16,717 | 16,356 | 16,086 | 270 |
| State Retirement | 20,135 | 21,158 | 20,672 | 486 |
| Life Insurance | 585 | 585 | 585 | - |
| Medical Insurance | 62,000 | 58,600 | 58,730 | (130) |
| Dental Insurance | 3,250 | 3,212 | 3,106 | 106 |
| Employer Medicare | 3,909 | 3,895 | 3,895 | - |
| Communication | 2,000 | - | - | - |
| Travel | 250 | 250 | 274 | (24) |
| Other Contracted Services | 8,651 | - | - | - |
| Other Charges | 2,500 | - | - | - |
| Supplies | 4,000 | 17,415 | 16,155 | 1,260 |
| Total Early Childhood Education | 393,608 | 400,701 | 400,699 | 2 |
| Capital Outlay - Regular | | | | |
| Capital Outlay | 200,000 | 814,370 | 751,985 | 62,385 |
| Total Capital Outlay | 200,000 | 814,370 | 751,985 | 62,385 |
| Total Expenditures | 18,859,215 | 20,059,774 | 19,528,152 | 531,524 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (22,326) | (697,863) | (139,142) | 558,721 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 25,826 | 29,100 | 29,100 | - |
| Transfers Out | (3,500) | (3,500) | (3,500) | - |
| Total Other Financing Sources (Uses) | 22,326 | 25,600 | 25,600 | 0 |
| NET CHANGE IN FUND BALANCES | - | (672,263) | (113,542) | 558,721 |
| FUND BALANCES, JULY 1, 2012 | 1,809,162 | 1,809,162 | 1,809,162 | - |
| FUND BALANCES, JUNE 30, 2013 | \$ 1,809,162 | 1,136,899 | 1,695,620 | 558,721 |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental Revenues | | | | |
| Title I | \$ 776,384 | 890,210 | 800,775 | (89,435) |
| Title II | 114,375 | 131,632 | 116,244 | (15,388) |
| Title X | 12,000 | 12,000 | 12,000 | - |
| Special Education (IDEA) | 477,840 | 533,928 | 482,645 | (51,283) |
| Special Education (Preschool) | 11,007 | 15,742 | 15,742 | - |
| Vocational Education | 39,462 | 40,570 | 40,570 | - |
| Safe and Drug Fee School | - | 78,000 | 78,000 | - |
| Race To The Top | 187,115 | 251,676 | 182,575 | (69,101) |
| Vocational Rehab | 21,900 | 21,900 | 21,900 | - |
| TOTAL REVENUES | 1,640,083 | 1,975,658 | 1,750,451 | (225,207) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Instruction - Regular Instruction | | | | |
| Teachers | 84,699 | 84,699 | 73,959 | 10,740 |
| Educational Assistants | 27,830 | 27,830 | 27,828 | 2 |
| Other Salaries and Wages | 276,565 | 276,565 | 276,564 | 1 |
| Social Security | 24,126 | 24,126 | 22,456 | 1,670 |
| State Retirement | 32,081 | 32,081 | 31,126 | 955 |
| Life Insurance | 720 | 720 | 720 | - |
| Medical Insurance | 56,745 | 62,745 | 52,710 | 10,035 |
| Dental Insurance | 2,534 | 2,534 | 2,454 | 80 |
| Medicare | 5,643 | 5,643 | 5,252 | 391 |
| Equipment | 28,800 | 128,218 | 120,651 | 7,567 |
| Instructional Supplies and Materials | 64,117 | 69,213 | 29,221 | 39,992 |
| Total Instruction - Regular Instruction | 603,860 | 714,374 | 642,941 | 71,433 |
| Instruction - Special Education | | | | |
| Teachers | 40,356 | 40,356 | 33,017 | 7,339 |
| Educational Assistants | 372,395 | 405,749 | 367,266 | 38,483 |
| Other Salaries and Wages | 3,000 | 5,000 | 2,616 | 2,384 |
| Social Security | 25,250 | 26,154 | 24,286 | 1,868 |
| State Retirement | 5,923 | 6,523 | 6,509 | 14 |
| Life Insurance | 180 | 190 | 189 | 1 |
| Medical Insurance | 17,670 | 17,670 | 17,654 | 16 |
| Dental Insurance | 951 | 951 | 1,004 | (53) |
| Medicare | 6,030 | 6,383 | 5,818 | 565 |
| Instructional Supplies | 2,288 | 4,890 | 4,874 | 16 |
| Special Education Equipment | - | 8,000 | 6,717 | 1,283 |
| Other Contracted Services | - | 5,000 | 5,238 | (238) |
| Other Supplies and Materials | - | 1,000 | 1,000 | - |
| Total Instruction - Special Education | 474,043 | 527,866 | 476,188 | 51,678 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instruction (Continued) | | | | |
| Instruction - Vocational Education | | | | |
| Other Supplies and Materials | 2,552 | 2,295 | 2,297 | (2) |
| Vocational Instruction Equipment | 23,505 | 25,732 | 25,862 | (130) |
| Total Instruction - Vocational Education | 26,057 | 28,027 | 28,159 | (132) |
| Total Instructional Expenditures | 1,103,960 | 1,270,267 | 1,147,288 | 122,979 |
| Support Services | | | | |
| Instructional Staff Services - Regular Instruction | | | | |
| Supervisor | 67,625 | 67,625 | 65,799 | 1,826 |
| Secretary | 25,896 | 25,896 | 25,896 | - |
| Other Salaries and Wages | 61,575 | 66,037 | 66,036 | 1 |
| Social Security | 9,617 | 9,894 | 9,733 | 161 |
| State Retirement | 12,502 | 12,939 | 12,773 | 166 |
| Life Insurance | 201 | 201 | 196 | 5 |
| Medical Insurance | 15,313 | 15,598 | 15,388 | 210 |
| Dental Insurance | 824 | 824 | 787 | 37 |
| Employer Medicare | 2,249 | 2,314 | 2,276 | 38 |
| Travel | 17,500 | 17,500 | 7,807 | 9,693 |
| Other Contracted Services | 6,325 | 6,827 | 7,029 | (202) |
| Other Supplies and Materials | 6,550 | 7,100 | 4,905 | 2,195 |
| In-Service/Staff Development | 26,870 | 30,449 | 18,757 | 11,692 |
| Other Equipment | 5,000 | 16,100 | 15,565 | 535 |
| Total Instructional Staff Services - Reg Instruction | 258,047 | 279,304 | 252,947 | 26,357 |
| Support Services - Student Transportation | | | | |
| Bus Drivers | 9,869 | 9,869 | 9,927 | (58) |
| Other Salaries and Wages | 1,620 | 1,620 | 1,490 | 130 |
| Social Security | 712 | 712 | 653 | 59 |
| State Retirement | 953 | 953 | 946 | 7 |
| Life Insurance | 45 | 45 | 45 | - |
| Dental Insurance | 317 | 317 | 281 | 36 |
| Medicare | 166 | 166 | 153 | 13 |
| Total Student Transportation Support Services | 13,682 | 13,682 | 13,495 | 187 |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Support Services (Continued) | | | | |
| Other Support Services | | | | |
| Other Student Support | 233,915 | 297,387 | 224,278 | 73,109 |
| Special Education Support | 3,000 | 10,000 | 10,383 | (383) |
| 21st Century | - | 75,350 | 75,400 | (50) |
| Vocational Support | 1,653 | 2,016 | 1,884 | 132 |
| Total Other Support Services | <u>238,568</u> | <u>384,753</u> | <u>311,945</u> | <u>72,808</u> |
| Total Support Services | <u>510,297</u> | <u>677,739</u> | <u>578,387</u> | <u>99,352</u> |
| TOTAL EXPENDITURES | <u>1,614,257</u> | <u>1,948,006</u> | <u>1,725,675</u> | <u>222,331</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>25,826</u> | <u>27,652</u> | <u>24,776</u> | <u>(2,876)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 129,369 | 133,369 | 128,601 | (4,768) |
| Transfers Out | <u>(155,195)</u> | <u>(161,845)</u> | <u>(154,201)</u> | <u>7,644</u> |
| Total Other Financing Sources (Uses) | <u>(25,826)</u> | <u>(28,476)</u> | <u>(25,600)</u> | <u>2,876</u> |
| NET CHANGE IN FUND BALANCES | - | (824) | (824) | - |
| FUND BALANCES, JULY 1, 2012 | <u>824</u> | <u>824</u> | <u>824</u> | <u>-</u> |
| FUND BALANCES, JUNE 30, 2013 | <u>\$ 824</u> | <u>0</u> | <u>0</u> | <u>0</u> |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL NUTRITION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|---------------------------------|------------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental Revenues | | | | |
| USDA Lunch Claims | \$ 428,950 | 448,145 | 450,295 | 2,150 |
| USDA Breakfast Claims | 128,000 | 143,740 | 143,727 | (13) |
| Snack Reimbursement | 10,000 | 14,200 | 14,191 | (9) |
| Commodities | 32,900 | 35,715 | 49,537 | 13,822 |
| State Matching | 21,175 | 21,150 | 21,148 | (2) |
| Total Intergovernmental Revenues | 621,025 | 662,950 | 678,898 | 15,948 |
| Charges for Services | | | | |
| Meal Payment - Children | 253,000 | 203,125 | 199,518 | (3,607) |
| Meal Payment - Adults | 24,500 | 22,280 | 21,541 | (739) |
| Income from Breakfast | 675 | 1,355 | 1,346 | (9) |
| A La Carte Sales | 40,700 | 49,290 | 49,338 | 48 |
| Other Charges for Services | 5,000 | 7,685 | 7,656 | (29) |
| Total Charges for Services | 323,875 | 283,735 | 279,399 | (4,336) |
| Investment Earnings | 1,800 | 1,225 | 1,223 | (2) |
| TOTAL REVENUES | 946,700 | 947,910 | 959,520 | 11,610 |
| EXPENDITURES | | | | |
| Food Services | | | | |
| Supervisor/Director | 38,376 | 39,076 | 39,088 | (12) |
| Cafeteria Personnel | 274,875 | 275,245 | 275,218 | 27 |
| Other Salaries and Wages | 3,500 | 3,795 | 3,772 | 23 |
| Social Security | 19,572 | 19,432 | 19,060 | 372 |
| State Retirement | 35,444 | 35,884 | 35,880 | 4 |
| Life Insurance | 855 | 855 | 851 | 4 |
| Medical Insurance | 120,525 | 119,455 | 119,568 | (113) |
| Dental Insurance | 6,310 | 6,165 | 6,109 | 56 |
| Medicare | 4,593 | 4,506 | 4,458 | 48 |
| Maintenance/Repair - Equipment | 5,250 | 5,925 | 5,902 | 23 |
| Transportation | 5,700 | 2,545 | 1,843 | 702 |
| Travel | 150 | 150 | 106 | 44 |
| Food Supplies | 398,900 | 390,117 | 403,900 | (13,783) |
| Office Supplies | 2,300 | 2,045 | 2,023 | 22 |
| Other Supplies and Materials | 25,000 | 29,485 | 27,195 | 2,290 |
| In-Service/Staff Development | 950 | 1,175 | 1,160 | 15 |
| Other Charges | 1,900 | 1,010 | 900 | 110 |
| Equipment | 2,500 | 14,760 | 14,742 | 18 |
| Capital Outlay | - | 18,200 | 18,200 | - |
| TOTAL EXPENDITURES | 946,700 | 969,825 | 979,975 | (10,150) |

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL NUTRITION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (21,915) | (20,455) | 1,460 |
| FUND BALANCES, JULY 1, 2012 | 289,161 | 289,161 | 289,161 | - |
| FUND BALANCES, JUNE 30, 2013 | \$ 289,161 | 267,246 | 268,706 | 1,460 |

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Related Organizations

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the government. Governmental activities are normally supported by intergovernmental revenues.

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

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue has a period of availability of one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and debt service are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Board of Education.

The Schools report the following governmental funds:

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

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

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables

Property taxes receivable are recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." Revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable less an estimated allowance for uncollectible taxes is reported as a deferred inflow of resources as of June 30. Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of year end are considered available and accrued.

Inventories

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

Capital Assets

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

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

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

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

Deferred Outflows / Deferred Inflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure). The School had no items that qualify for reporting in this category.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows / Deferred Inflows (Continued)

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

The Schools had one item that qualifies for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

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

Fund Equity

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

- Nonspendable fund balance – amounts that cannot be spent because it is either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (Continued)

- Committed fund balance – amounts constrained to specific purposes by the Schools, using its highest level of decision-making authority, which is by resolution. The Board of Education is the highest level of decision-making authority for the Schools that can, by formal resolution commit fund balance. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action (resolution) to remove, modify, rescind or change the constraint.
- Assigned fund balance – amounts the Schools' intend to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Purpose School Fund.

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

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

Estimates

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

Reclassifications

Certain reclassifications have been made to the June 30, 2012 financial statements in order for them to confirm to the June 30, 2013 financial statement presentation.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Schools' financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the fiscal year. The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual include original and final amended budget amounts. The budgets were legally adopted on a basis consistent with GAAP. Actual expenditures exceeded those budgeted within the School Nutrition Fund's Food Services by \$10,150.

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 Federal Deposit Insurance Corporation coverage and placing deposits in banks that are approved members of the State of Tennessee Collateral Pool.

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, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

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 fiscal year end, the Schools' carrying amount of deposits was \$1,546,427 and the bank balance was \$2,113,260.

Receivables

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

| | General Purpose School Fund | School Federal Projects Fund | School Nutrition Fund | Total |
|-------------------------------|--------------------------------|---------------------------------|--------------------------|------------------|
| Other Receivables | \$ 20,322 | - | 424 | 20,746 |
| Due from Other Governments | | | | |
| Federal and State | 861,977 | 115,828 | - | 977,805 |
| Carter County, Tax Allocation | 2,791,479 | - | - | 2,791,479 |
| Total Receivables | <u>\$ 3,673,778</u> | <u>115,828</u> | <u>424</u> | <u>3,790,030</u> |

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|-----------------|---------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 216,170 | - | - | 216,170 |
| Construction in Progress | 63,764 | 356,852 | (63,764) | 356,852 |
| Total Capital Assets, Not Being Depreciated | <u>279,934</u> | <u>356,852</u> | <u>(63,764)</u> | <u>573,022</u> |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 22,592,083 | 364,348 | - | 22,956,431 |
| Equipment | <u>1,521,908</u> | <u>112,749</u> | <u>(37,489)</u> | <u>1,597,168</u> |
| Total Capital Assets, Being Depreciated | <u>24,113,991</u> | <u>477,097</u> | <u>(37,489)</u> | <u>24,553,599</u> |
| Less Accumulated Depreciation For | | | | |
| Buildings | (9,115,992) | (493,567) | - | (9,609,559) |
| Equipment | <u>(757,821)</u> | <u>(88,899)</u> | <u>35,622</u> | <u>(811,098)</u> |
| Total Accumulated Depreciation | <u>(9,873,813)</u> | <u>(582,466)</u> | <u>35,622</u> | <u>(10,420,657)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>14,240,178</u> | <u>(105,369)</u> | <u>(1,867)</u> | <u>14,132,942</u> |
| Total Capital Assets, Net | <u>\$ 14,520,112</u> | <u>251,483</u> | <u>(65,631)</u> | <u>14,705,964</u> |

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Long-Term Debt

The following is a summary of debt transactions of the Schools relating to Compensated Absences and Other Post Employment Benefits (OPEB) for the fiscal year ended June 30, 2013:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|-------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 41,290 | 6,345 | - | 47,635 | 1,882 |
| OPEB Liability | 2,141,527 | 447,870 | - | 2,589,397 | - |
| Governmental Activities | | | | | |
| Long-Term Liabilities | \$ 2,182,817 | 454,215 | 0 | 2,637,032 | 1,882 |

NOTE 4 - OTHER INFORMATION

Risk Management

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

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan

Plan Description

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

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, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

Elizabethton City Schools requires employees to contribute 5.00% of earnable compensation.

Elizabethton City Schools is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.79% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2013, Elizabethton City Schools' annual pension cost of \$181,843 to TCRS was equal to Elizabethton City School's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-year period. Elizabethton City Schools' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2013 | \$ 181,843 | 100% | \$ - |
| June 30, 2012 | \$ 210,392 | 100% | \$ - |
| June 30, 2011 | \$ 228,582 | 100% | \$ - |

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.27% percent funded. The actuarial accrued liability (AAL) for benefits was \$7.41 million, and the actuarial value of assets was \$6.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.57 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.45 million, and the ratio of the UAAL to the covered payroll was 23.37% percent.

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost (Continued)

(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, 2011 | \$6,838 | \$7,411 | \$573 | 92.27% | \$2,452 | 23.37% |

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Funding Policy

Most teachers are required by State statute to contribute 5.00% of earnable compensation of the plan. The employer contribution rate for Elizabethton City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll. The employer contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$883,768, \$856,125, and \$822,686, respectively, equal to the required contributions for each year.

Post-Employment Healthcare Plan

Plan Description

The Elizabethton City Schools participate in the State-administered Teacher Group Insurance Plan, Medicare Supplement Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Annotated Code (TCA) 8-27-302 (teachers) or TCA 8-27-207 (local governments). Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the State's retirement system may participate in a state-administered medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the State's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

The State does not provide a subsidy for local government participants; however, the State does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Funding Policy (Continued)

The schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2013 are as follows:

Monthly Premiums – Retiree:

PPO 30 plus years: \$282 to \$302, 20 years or less: \$384 to \$404 and 20 years to 29 years: \$332 to \$353 (single coverage)

Monthly Premiums – Active:

PPO \$512 to \$557 (single coverage)

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

| | 07/01/2012 - 06/30/2013 |
|---|----------------------------|
| Annual OPEB Cost and Net OPEB Obligation | |
| 1. Annual Required Contribution (ARC) | \$ 809,000 |
| 2. Interest on net OPEB Obligation | 85,661 |
| 3. Adjustment to ARC | (90,928) |
| 4. Annual OPEB Cost (Expense) (1+2+3) | 803,733 |
| 5. Contribution made (assumed end of year)* | 355,863 |
| 6. Increase (Decrease) in net OPEB Obligation (4 - 5) | 447,870 |
| 7. Net OPEB Obligation - beginning of year - restated | 2,141,527 |
| 8. Net OPEB Obligation - end of year (6 + 7) | \$ 2,589,397 |

**Contribution made was assumed to equal Expected Benefit Payments*

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Funding Policy (Continued)

| Year End | Plan | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End - Restated |
|-----------|------------------------------|------------------|--|--|
| 6/30/2013 | Teacher and Local Government | \$ 803,733 | 18.8% | \$ 2,589,397 |
| 6/30/2012 | Teacher and Local Government | \$ 798,031 | 17.7% | \$ 2,141,527 |
| 6/30/2011 | Teacher and Local Government | \$ 730,679 | 17.7% | \$ 1,614,217 |

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

| | |
|---|---------------------|
| Actuarial Valuation Date | July 1, 2011 |
| Actuarial Accrued Liability (AAL) | \$ 5,923,000 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 5,923,000</u> |
| Actuarial Value of Assets as a % of the AAL | 0% |
| Covered Payroll | \$ 12,566,578 |
| UAAL as a Percentage of Covered Payroll | 47% |

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

Actuarial Methods and Assumptions

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The rate include a 2.5 percent inflation assumption, which also represent projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

Total on-behalf payments were \$149,896.

Concentration

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

NOTE 5 - PRIOR PERIOD ADJUSTMENT

During the year, a government-wide prior period adjustment was necessary to properly reflect the OPEB liability. To correct this, the beginning government-wide net position of \$14,141,564, as originally reported, has been increased by \$333,496 to a restated net position of \$14,475,060.

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2013

(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, 2011 | \$6,838 | \$7,411 | \$573 | 92.27% | \$2,452 | 23.37% |
| July 1, 2009 | \$5,684 | \$5,684 | \$0 | 100.00% | \$2,268 | 0.00% |
| July 1, 2007 | \$5,388 | \$5,388 | \$0 | 100.00% | \$2,033 | 0.00% |

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FUNDING PROGRESS OF POST-RETIREMENT BENEFITS OTHER THAN
PENSIONS
For the Fiscal Year Ended June 30, 2013

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (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, 2011 | \$0 | \$5,923,000 | \$5,923,000 | 0.00% | 12,566,578 | 47.13% |
| July 1, 2010 | \$0 | \$5,606,000 | \$5,606,000 | 0.00% | 11,963,166 | 46.86% |
| July 1, 2009 | \$0 | \$5,589,000 | \$5,589,000 | 0.00% | 11,584,000 | 48.25% |

Note: Information was not available for prior years .

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2012 | Cash Receipts | Expenditures | Balance June 30, 2013 |
|---|--|------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>School Federal Projects Fund</u> | | | | | | |
| Pass-Through State of Tennessee | | | | | | |
| 84.048 | Carl Perkins (CTE Program Improvements) | U.S. Department of Education | \$ - | 40,183 | 40,570 | (387) * |
| Special Education Cluster | | | | | | |
| 84.027 | IDEA, Part B | U.S. Department of Education | (2,182) | 484,827 | 482,645 | - |
| 84.173 | IDEA, Preschool | U.S. Department of Education | - | 12,129 | 15,742 | (3,613) * |
| | Total IDEA | | (2,182) | 496,956 | 498,387 | (3,613) |
| 84.196 | Title X McKinney Vento-Homeless | U.S. Department of Education | (7,394) | 9,698 | 12,000 | (9,696) * |
| 84.010 | Title I, Project | U.S. Department of Education | 0 | 763,792 | 800,775 | (36,983) * |
| 84.048 | Title II, Part A | U.S. Department of Education | (815) | 80,638 | 116,244 | (36,421) * |
| 84.395 | ARRA - First to the Top | U.S. Department of Education | (38,249) | 220,682 | 182,575 | (142) * |
| 84.287 | Title IV, Part B, 21st Century Community Learning Centers | U.S. Department of Education | - | 51,261 | 78,000 | (26,739) * |
| Pass-Through Tennessee Department of Human Services | | | | | | |
| 84.126 | Vocational Rehabilitation Z-13-7056 | Department of Human Services | (4,421) | 24,474 | 21,900 | (1,847) * |
| Total School Federal Projects Fund | | | \$ (53,061) | 1,687,684 | 1,750,451 | (115,828) |

* Receivable

** Unused Revenue

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2012 | Cash Receipts | Expenditures | Balance June 30, 2013 |
|--|--|-------------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>School Nutrition Fund</u> | | | | | | |
| Pass-Through State of Tennessee | | | | | | |
| Child Nutrition Cluster | | | | | | |
| 10.533 | National School Breakfast Program | U.S. Department of Agriculture | - | 143,727 | 143,727 | - |
| 10.555 | National School Lunch Program | U.S. Department of Agriculture | - | 450,295 | 450,295 | - |
| 10.500 | National Snack Reimbursement | U.S. Department of Agriculture | - | 14,191 | 14,191 | - |
| Pass-Through Tennessee Department of Agriculture | | | | | | |
| 10.565 | USDA: Commodity Supplemental Feeding- Commodities Distributed | Tennessee Department of Agriculture | - | 49,537 | 49,537 | - |
| Total School Nutrition Fund | | | 0 | 657,750 | 657,750 | 0 |
| TOTAL FEDERAL GRANTS | | | \$ (53,061) | 2,345,434 | 2,408,201 | (115,828) |

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.

* Receivable

** Unused Revenue

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2013

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2012 | Cash Receipts | Expenditures | Balance June 30, 2013 |
|------------------------------------|------------------------------------|-------------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>General Purpose School Fund</u> | | | | | | |
| N/A | Coordinated School Health | Tennessee Department of Education | \$ (23,878) | 81,338 | 85,000 | (27,540) * |
| N/A | LEAP | Tennessee Department of Education | (28,866) | 132,800 | 108,438 | (4,504) * |
| N/A | SSMS | Tennessee Department of Education | - | 6,173 | 6,173 | - |
| N/A | ConnectTenn | Tennessee Department of Education | - | 7,702 | 7,702 | - |
| N/A | Energy Efficient School Initiative | Tennessee Department of Education | - | 25,893 | 25,893 | - |
| N/A | Early Childhood Grant | Tennessee Department of Education | - | 316,948 | 400,701 | (83,753) * |
| N/A | Basic Education Program | Tennessee Department of Education | - | 10,974,540 | 10,974,540 | - |
| N/A | Driver's Education | Tennessee Department of Education | - | 3,132 | 7,132 | (4,000) * |
| N/A | Career Ladder | Tennessee Department of Education | (7,876) | 92,478 | 93,490 | (8,888) * |
| N/A | Extended Contract | Tennessee Department of Education | 1,869 | 57,032 | 58,901 | - |
| N/A | Safe Schools | Tennessee Department of Education | (2,736) | 11,424 | 12,100 | (3,412) * |
| N/A | Other State Funds | Tennessee Department of Education | - | 137,896 | 137,896 | - |
| Total General Purpose School Fund | | | (61,487) | 11,847,356 | 11,917,966 | (132,097) |
| <u>School Nutrition Fund</u> | | | | | | |
| N/A | State Matching Funds | Tennessee Department of Agriculture | - | 9,148 | 9,148 | - |
| N/A | Other State Funds | Tennessee Department of Education | - | 12,000 | 12,000 | - |
| Total School Nutrition Fund | | | 0 | 21,148 | 21,148 | 0 |
| TOTAL STATE GRANTS | | | \$ (61,487) | 11,868,504 | 11,939,114 | (132,097) |

* Receivable

** Unused Revenue

SECTION II

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Elizabethton City Schools' basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

November 15, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the Elizabethton City Schools', a component unit of the City of Elizabethton, Tennessee, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Elizabethton City Schools' major federal programs for the fiscal year ended June 30, 2013. Elizabethton City Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Elizabethton City Schools
Independent Auditors' Report on
Compliance For Each Major Program

Opinion on Each Major Federal Program

In our opinion, Elizabethton City Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

November 15, 2013

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee.
2. No significant deficiencies relating to the audit of the financial statements of the Elizabethton City Schools were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Elizabethton City Schools were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton City Schools expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were Special Education (IDEA), CFDA #84.027 and Special Education (IDEA) Preschool 84.173; USDA School Breakfast Program, CFDA #10.533 and USDA School Lunch Program, CFDA #10.555.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Elizabethton City Schools was determined to be a low-risk auditee.

SECTION II - CURRENT YEAR AUDIT FINDINGS

None

SECTION III - PRIOR YEAR AUDIT FINDINGS

None