

ELIZABETHTON, TENNESSEE  
CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
  
For the Fiscal Year Ended June 30, 2009

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
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For the Fiscal Year Ended June 30, 2009

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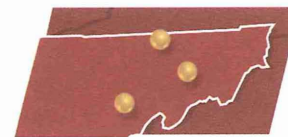
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SECTION I  
FINANCIAL SECTION

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Elizabethton, Tennessee City Schools, a component unit of the City of Elizabethton, Tennessee as of and for the fiscal year ended June 30, 2009, which collectively comprise the Elizabethton, Tennessee City School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Elizabethton, Tennessee City Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the general purpose school fund, school federal projects fund and school nutrition fund and do not purport to, and do not present fairly the financial position of the City of Elizabethton, Tennessee, as of June 30, 2009, and the changes in its financial position and budgetary comparisons for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Elizabethton, Tennessee City Schools, a component unit of the City of Elizabethton, Tennessee as of June 30, 2009, and the respective changes in financial positions, thereof, and the respective budgetary comparisons for each fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 on our consideration of the Elizabethton, Tennessee City School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

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

part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 3 - 7 and on page 46 and 47 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Blackburn, Childers + Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 3, 2009

ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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, 2009. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

**Financial Highlights**

The financial status of the Board increased during the year due to conservative efforts and the increase in capital assets due to the beginning of projects to be funded by the \$6.75 million bond issue by the City of Elizabethton. Total net assets increased by 2.0% over the course of the year.

- The total Unreserved/Undesignated General Purpose fund balance increased by \$18,623 and the School Nutrition increased by \$65,960.
- The elevator installation project was completed at Harold McCormick Elementary.
- Two school buses to be used system-wide and a dishwasher for Elizabethton High School were purchased.
- The re-roofing of Elizabethton High School and Harold McCormick Elementary were in progress.

**Overview of the Financial Statements**

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

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

Government-Wide Statements

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

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

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

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

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

ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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 less financial resources that can be spent in the near future to finance the school system's programs.

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

Condensed Statement of Net Assets

	Governmental Activities		Total % Change 2008-2009
	<u>2008</u>	<u>2009</u>	
Current and Other Assets	\$ 3,482,326	3,896,307	11.9%
Capital Assets	<u>8,231,752</u>	<u>8,340,975</u>	1.3%
Total Assets	<u>11,714,078</u>	<u>12,237,282</u>	4.5%
Current Liabilities	2,216,033	2,545,542	14.8%
Long-Term Liabilities	<u>31,300</u>	<u>35,169</u>	12.4%
Total Liabilities	<u>2,247,333</u>	<u>2,580,711</u>	14.8%
Net Assets Invested in Capital Assets,			
Net of Debt	8,231,752	8,340,975	1.3%
Unrestricted	<u>1,234,993</u>	<u>1,315,596</u>	6.5%
Total Net Assets	\$ <u>9,466,745</u>	<u>9,656,571</u>	2.0%

ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

Net Assets

The Board's Current and Other Assets increased by 11.9% during the 2008-2009 fiscal year. This increase is mainly due to the increase in receivable for reimbursement for expenditures from the bond issue from the City of Elizabethton. The increase in Current Liabilities is the result of the implementation of GASB 45 which requires the posting of the unfunded liability for Other Post Employment Benefits.

The Board's financial position is the product of many factors. During the 2008-2009 fiscal year, local tax revenue and state BEP funds realized an increase due to the increase in student enrollment. The capital outlay project of an elevator installation at Harold McCormick was completed, two school buses were purchased, and a replacement dishwasher was installed at Elizabethton High School.

Changes in Net Assets from Operating Results

	Governmental Activities		Total % Change 2008-2009
	2008	2009	
Revenues			
Programs Revenues			
Charges for Services	\$ 768,411	675,333	(12.1)%
Operating Grants	4,432,640	4,768,004	7.6%
Capital Grants & Contributions	247,771	669,946	170.4%
General Revenues			
Property Taxes	1,725,347	1,839,641	6.6%
Other Taxes	1,206,742	1,275,137	5.7%
State Revenues	8,815,649	9,312,012	5.6%
Other	54,806	54,989	0.3%
Total Revenues	17,251,366	18,595,062	7.8%
Expenses			
Instruction	10,217,257	11,134,499	9.0%
Student Services	646,028	719,201	11.3%
Instructional Staff Services	847,463	950,493	12.1%
General Administration	484,402	501,673	3.6%
School Administration	876,019	903,340	3.1%
Business Services	222,754	230,803	3.6%
Maintenance and Operations	1,801,813	2,010,996	11.6%
Transportation	307,132	230,268	(25.0)%
Central Services	249,159	288,131	15.6%
Operating Transfers	56,026	66,337	18.4%
Food Services	891,421	887,136	(0.5)%
Community Services	161,113	191,796	19.0%
Early Childhood Education	334,651	384,483	14.9%
Total Expenses	17,095,238	18,499,156	8.2%
Increase in Net Assets	156,128	95,906	
Beginning Net Assets	9,310,617	9,466,745	
Prior Period Adjustment	-	93,920	
Ending Net Assets	\$ 9,466,745	9,656,571	



ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

The total cost of all programs and services rose 8.2% to \$18.5 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (72.6% of total costs). The Board's administrative and business activities accounted for 8.9% of total costs. The operation and maintenance of facilities accounted for 10.9% of total costs. The total increase of 8.2% reflects increased spending due to projects being funded by the bond issue from the City of Elizabethton, and the addition of instructional positions due to the growth in student enrollment.

Governmental Activities

Revenues for the Board's governmental activities increased by 7.8%, while total expenses increased by 8.2%. The increase in net assets for governmental activities was \$95,906 in 2009.

**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 \$1,316,171, which were more than last year's ending fund balances of \$1,137,668. This increase is due to changes in the School Nutrition Fund which resulted in savings for the program for 2008-2009.

The Board's governmental funds experienced revenues and other sources more/(less) than expenditures in 2009 as follows:

General Purpose	\$18,623
Federal Projects	\$ 0
Child Nutrition	\$65,960

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 \$16,256,562 of revenues and other sources would be received, the Board actually received \$125,449 more than anticipated. The Board budgeted \$16,418,455 of expenditures. The actual expenditures of \$16,363,388 were \$55,067 under budget.

ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**Capital Asset and Debt Administration**

By the end of 2009, the Elizabethton City Schools had invested \$8.3 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an increase of \$109,223 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 \$369,298, while building improvements and additions to equipment amounted to \$449,509 (net of decreases.)

Capital Assets (Net of Depreciation)

	Governmental Activities		Total % <u>Change</u> 2008-2009
	<u>2008</u>	<u>2009</u>	
Land	\$ 216,170	216,170	0.0%
Construction in Progress	756	255,706	33,723.5%
Buildings	7,641,488	7,497,844	(1.9)%
Equipment and Vehicles	<u>373,338</u>	<u>371,255</u>	(0.6)%
Total Assets	\$ <u>8,231,752</u>	<u>8,340,975</u>	1.3%

The Board's fiscal year 2009 capital expenditures included the completion of the installation of an elevator at Harold McCormick Elementary School, the purchase of a dishwasher at Elizabethton High School Cafeteria, and the purchase of two school buses.

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

- Increases in student enrollment
- Increasing insurance and benefit costs
- Remaining portion of the \$6.75 million Bond Issue from the City of Elizabethton for capital expenditures
- Meeting the needs of special education students
- Providing for the safety and security of our students
- Economic impact on sales tax revenue

**Contacting the Board's Financial Management**

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash	\$ 768,080
Receivables	
Accounts	20,352
Taxes	2,009,037
Due from Other Governments	1,064,562
Inventories	34,276
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	255,706
Capital Assets, Net of Accumulated Depreciation	
Buildings	7,497,844
Equipment	371,255
Total Assets	<u>12,237,282</u>
LIABILITIES	
Accounts Payable	543,404
Cash Overdraft	65,818
Unearned Revenues	1,832,037
OPEB Liability	102,941
Long-term Liabilities	
Due within one year	1,342
Due within more than one year	35,169
Total Liabilities	<u>2,580,711</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,340,975
Unrestricted	1,315,596
TOTAL NET ASSETS	<u>\$ 9,656,571</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction					
Regular Instruction	\$ 8,552,749	287,014	3,298,252	669,946	(4,297,537)
Special Education	1,754,588	-	409,673	-	(1,344,915)
Vocational Education	703,192	-	66,047	-	(637,145)
Other	123,970	-	-	-	(123,970)
Total Instruction	11,134,499	287,014	3,773,972	669,946	(6,403,567)
Support Services					
Student Services	719,201	-	106,365	-	(612,836)
Instructional Staff	950,493	-	-	-	(950,493)
General Administrative	501,673	-	-	-	(501,673)
School Administrative	903,340	-	-	-	(903,340)
Business Administrative	230,803	-	-	-	(230,803)
Plant Operation and Maintenance	2,010,996	2,275	-	-	(2,008,721)
Student Transportation	230,268	-	-	-	(230,268)
Other Support	66,337	-	7,607	-	(58,730)
Central Services	288,131	-	76,694	-	(211,437)
Total Support Services	5,901,242	2,275	190,666	0	(5,708,301)
Food Service	887,136	386,044	516,599	-	15,507
Community Services	191,796	-	-	-	(191,796)
Early Childhood Education	384,483	-	286,767	-	(97,716)
Total Governmental Activities	18,499,156	675,333	4,768,004	669,946	(12,385,873)
General Revenues					
Taxes					
Property Taxes					1,839,641
Sales Taxes					1,226,442
In-Lieu of Taxes					24,998
Other Taxes					23,697
Other Local Governments					2,753
State Aid					9,312,012
Unrestricted Investment Earnings					24,278
Miscellaneous					6,853
Special Item: Loss on disposal of assets					(1,527)
Contributions and Donations					22,632
Total General Revenues, Special Items and Transfers					12,481,779
Change in Net Assets					95,906
Net Assets - Beginning					9,466,745
Prior Period Adjustment					93,920
Net Assets - Beginning Restated					9,560,665
Net Assets - Ending					\$ 9,656,571

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash in Bank	\$ 601,668	-	166,412	768,080
Accounts Receivable	20,352	-	-	20,352
Due from Other Governments	2,964,556	105,173	3,870	3,073,599
Inventories	-	-	34,276	34,276
Total Assets	<u>\$ 3,586,576</u>	<u>105,173</u>	<u>204,558</u>	<u>3,896,307</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash Overdraft	\$ -	65,818	-	65,818
Accounts Payable	501,103	39,355	2,946	543,404
Deferred Revenue	1,970,914	-	-	1,970,914
Total Liabilities	<u>2,472,017</u>	<u>105,173</u>	<u>2,946</u>	<u>2,580,136</u>
<b>FUND BALANCES</b>				
Reserved				
Extended School Programs	12,407	-	-	12,407
Career Ladder	4,521	-	-	4,521
Basic Education Program	137,915	-	-	137,915
Technology	12,153	-	-	12,153
Bus	77,610	-	-	77,610
Early Learning Center	2,927	-	-	2,927
Special Education	20,263	-	-	20,263
Community Involvement	2,103	-	-	2,103
Inventory	-	-	34,276	34,276
Unreserved	844,660	-	167,336	1,011,996
Total Fund Balances	<u>1,114,559</u>	<u>0</u>	<u>201,612</u>	<u>1,316,171</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,586,576</u>	<u>105,173</u>	<u>204,558</u>	<u>3,896,307</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

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Total Fund Balances - Governmental Funds	\$ 1,316,171
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$16,887,885 and the accumulated depreciation is \$(8,546,910).	8,340,975
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	138,877
OPEB benefits represent liabilities of the School System that are not recorded at the fund level.	(102,941)
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of notes payable and compensated absences.	<u>(36,511)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 9,656,571</u></u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2009

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,104,828	-	-	3,104,828
Revenue from State of Tennessee	9,879,018	-	26,059	9,905,077
Revenue from Federal Government	37,454	1,316,511	490,540	1,844,505
Charges for Services	287,014	-	386,044	673,058
Investment Earnings	22,482	-	1,796	24,278
Other	27,660	-	6,327	33,987
Total Revenues	<u>13,358,456</u>	<u>1,316,511</u>	<u>910,766</u>	<u>15,585,733</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Instruction	7,890,735	608,192	-	8,498,927
Special Instruction	1,387,021	357,859	-	1,744,880
Vocational Education	668,711	30,590	-	699,301
Other	123,284	-	-	123,284
Support Services				
Student Services	715,222	-	-	715,222
Instructional Staff	724,051	221,183	-	945,234
General Administrative	498,897	-	-	498,897
School Administrative	898,342	-	-	898,342
Business Administrative	229,526	-	-	229,526
Plant Operation and Maintenance	1,632,615	-	-	1,632,615
Student Transportation	217,886	11,108	-	228,994
Central Services	286,537	-	-	286,537
Other Support Services	-	65,970	-	65,970
Food Services	37,422	-	844,806	882,228
Community Services	190,735	-	-	190,735
Early Childhood Education	382,356	-	-	382,356
Capital Outlay	480,048	-	-	480,048
Total Expenditures	<u>16,363,388</u>	<u>1,294,902</u>	<u>844,806</u>	<u>18,503,096</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,004,932)</u>	<u>21,609</u>	<u>65,960</u>	<u>(2,917,363)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	21,609	166,678	-	188,287
Transfer Out	-	(188,287)	-	(188,287)
Operating Grant/Contribution	2,332,000	-	-	2,332,000
Bond Proceeds	669,946	-	-	669,946
Total Other Financing Sources (Uses)	<u>3,023,555</u>	<u>(21,609)</u>	<u>0</u>	<u>3,001,946</u>
NET CHANGE IN FUND BALANCE	<u>18,623</u>	<u>0</u>	<u>65,960</u>	<u>84,583</u>
FUND BALANCE, JULY 1, 2008	1,002,016	-	135,652	1,137,668
PRIOR PERIOD ADJUSTMENT	<u>93,920</u>	<u>-</u>	<u>-</u>	<u>93,920</u>
FUND BALANCE, JULY 1, 2008 RESTATED	<u>1,095,936</u>	<u>0</u>	<u>135,652</u>	<u>1,231,588</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,114,559</u>	<u>0</u>	<u>201,612</u>	<u>1,316,171</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009

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Total Net Change in Fund Balances - Governmental Funds	\$ 84,583
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 \$480,048 exceeds depreciation expense of \$369,298.	110,750
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 year.	8,910
In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current year.	(3,869)
Liability for OPEB benefits are not reported in the governmental funds.	(102,941)
The net effect of various transactions involving capital assets (i.e. sales, out of service) is to decrease net assets.	<u>(1,527)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 95,906</u></u>

See accompanying notes to the basic financial statements.



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
TAXES				
Local Sales Tax	\$ 1,186,000	1,231,000	1,226,442	(4,558)
County Property Tax	1,774,000	1,791,000	1,830,731	39,731
Other Local Tax	55,250	55,450	47,655	(7,795)
Total Taxes	3,015,250	3,077,450	3,104,828	27,378
INTERGOVERNMENTAL REVENUES				
Federal Through State of Tennessee				
Special Education	-	37,454	37,454	-
State of Tennessee				
Basic Education Program	8,994,480	8,940,000	8,940,000	-
Driver Education	6,000	8,775	8,783	8
Career Ladder Program	115,695	127,822	127,821	(1)
Career Ladder - Extended Contract	152,753	130,500	130,500	-
Other State Funds	100,700	551,250	548,157	(3,093)
Mixed Drink Tax	2,500	1,700	1,566	(134)
Other State Revenues	11,500	11,500	122,191	110,691
Total Intergovernmental Revenues	9,383,628	9,809,001	9,916,472	107,471
MISCELLANEOUS REVENUES				
Tuition	334,873	296,198	287,014	(9,184)
Rental of School Property	1,200	2,275	2,275	-
Interest Income	52,000	22,500	22,482	(18)
Donations	200	17,700	22,632	4,932
Other Local Revenues	3,200	2,760	2,753	(7)
Total Miscellaneous Revenues	391,473	341,433	337,156	(4,277)
TOTAL REVENUES	\$ 12,790,351	13,227,884	13,358,456	130,572

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	\$ 5,078,068	5,101,821	5,102,478	(657)
Career Ladder Program	66,000	69,500	68,930	570
Career Ladder - Extended Contract	135,000	121,000	121,000	-
Homebound Teachers	7,500	7,500	7,350	150
Educational Assistants	162,660	164,660	159,919	4,741
Other Salaries and Wages	30,000	30,000	19,057	10,943
Certified Substitute Teachers	20,000	4,310	2,605	1,705
Non-Certified Substitute Teachers	70,000	106,000	105,539	461
Social Security	339,508	337,115	332,924	4,191
State Retirement	352,572	354,987	414,199	(59,212)
Life Insurance	11,430	11,430	11,412	18
Medical Insurance	834,702	807,802	799,654	8,148
Dental Insurance	46,119	45,119	44,299	820
Medicare	79,657	79,695	78,311	1,384
Other Contracted Services	1,800	16,800	15,239	1,561
Instructional Supplies	92,500	91,750	91,329	421
Textbooks	217,590	222,362	222,328	34
Other Supplies and Materials	10,120	15,070	13,795	1,275
Furniture and Fixtures	156,722	196,372	196,362	10
Regular Instructional Equipment	-	84,225	84,005	220
Total Instruction - Regular Instruction	<u>7,711,948</u>	<u>7,867,518</u>	<u>7,890,735</u>	<u>(23,217)</u>
Instruction - Special Education				
Teachers	630,298	657,648	657,586	62
Career Ladder Program	12,000	12,500	12,500	-
Homebound Teachers	2,000	2,000	-	2,000
Educational Assistants	179,665	150,665	150,257	408
Speech Pathologist	90,402	90,402	90,301	101
Certified Substitute Teachers	2,000	3,900	3,825	75
Non-Certified Substitute Teachers	8,000	8,000	7,847	153
Other Salaries and Wages	5,116	5,116	4,131	985
Social Security	56,767	56,798	54,128	2,670
State Retirement	66,794	66,052	73,075	(7,023)
Life Insurance	2,340	2,340	2,160	180
Medical Insurance	193,268	183,268	178,063	5,205
Dental Insurance	10,567	9,567	9,291	276
Medicare	13,406	13,413	12,659	754
Other Contracted Services	76,555	95,305	95,012	293

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	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	35,854	24,943	10,911
Other Supplies and Materials	1,000	6,000	1,246	4,754
Other Charges	5,000	6,600	6,577	23
Special Education Equipment	-	7,500	3,420	4,080
Total Instruction - Special Education	1,364,678	1,412,928	1,387,021	25,907
Instruction - Vocational Education Program				
Teachers	460,264	491,939	491,891	48
Career Ladder Program	6,000	6,000	6,000	-
Certified Substitute Teachers	500	3,200	3,180	20
Non-Certified Substitute Teachers	5,000	5,000	3,794	1,206
Social Security	27,710	30,660	30,642	18
State Retirement	29,397	31,997	36,942	(4,945)
Life Insurance	990	990	990	-
Medical Insurance	66,127	63,427	63,299	128
Dental Insurance	3,605	3,605	3,490	115
Medicare	6,795	7,220	7,166	54
Maintenance and Repair - Equipment	2,400	2,275	1,975	300
Instructional Supplies	19,000	19,400	19,342	58
Other Supplies and Charges	950	950	-	950
Total Instruction - Vocational Education Program	628,738	666,663	668,711	(2,048)
Instruction - Student Body				
Other Salaries and Wages	98,000	98,110	98,108	2
Social Security	6,076	6,076	5,977	99
State Retirement	5,500	5,685	6,601	(916)
Employer Medicare	1,421	1,421	1,398	23
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	6,800	6,800	6,800	-
Total Instruction - Student Body	122,197	122,492	123,284	(792)
Total Instructional Expenditures	9,827,561	10,069,601	10,069,751	(150)
Support Services				
Student Services - Attendance				
Supervisor/Director	1,200	1,200	1,200	-
Secretary(s)	32,032	32,032	32,032	-
Social Security	2,060	2,060	2,040	20
State Retirement	3,046	3,046	8,371	(5,325)
Life Insurance	45	45	45	-
Medical	5,230	5,230	5,065	165
Dental	302	302	295	7

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance				
Medicare	481	481	477	4
Travel	925	1,450	1,428	22
Total Student Services - Attendance	45,321	45,846	50,953	(5,107)
Student Services - Health Services				
Supervisor/Director	47,917	47,917	47,917	-
Medical Personnel	44,198	57,348	56,676	672
Social Security	5,711	6,526	6,453	73
State Retirement	9,185	10,405	8,678	1,727
Life Insurance	203	239	238	1
Medical Insurance	13,911	8,059	7,609	450
Dental Insurance	762	689	688	1
Medicare	1,335	1,525	1,509	16
Travel	725	775	769	6
Other Supplies and Materials	28,759	24,989	24,991	(2)
Other Charges	500	500	331	169
Other Services	-	470	471	(1)
In-Service/Staff Development	5,000	5,030	5,026	4
Administration Equipment	-	2,725	2,722	3
Total Student Services - Health Services	158,206	167,197	164,078	3,119
Student Services - Other Student Support				
Career Ladder Program	2,000	2,000	2,000	-
Guidance Personnel	260,720	271,345	271,328	17
Secretaries	93,651	87,051	86,929	122
Social Security	21,095	21,870	21,856	14
State Retirement	25,898	25,898	25,479	419
Life Insurance	765	765	765	-
Medical Insurance	63,574	61,074	60,407	667
Dental Insurance	3,958	3,958	3,835	123
Medicare	5,087	5,142	5,140	2
Evaluation and Testing	5,500	16,360	16,452	(92)
Other Charges	6,000	6,000	6,000	-
Total Student Services - Other Student Support	488,248	501,463	500,191	1,272
Total Student Services Support Services	691,775	714,506	715,222	(716)

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Instructional Staff				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	93,293	95,467	95,345	122
Career Ladder Program	8,000	9,000	9,000	-
Librarians	262,188	226,813	228,534	(1,721)
Social Security	21,496	21,618	21,617	1
State Retirement	23,336	24,115	24,111	4
Life Insurance	639	654	652	2
Medical Insurance	51,226	55,176	53,704	1,472
Dental Insurance	2,451	2,841	2,716	125
Medicare	5,261	5,276	5,055	221
Maintenance and Repair - Equipment	5,900	5,900	5,877	23
Travel	100	125	110	15
Library Books/Media	36,700	36,700	36,700	-
Other Supplies and Materials	500	500	-	500
In-Service/Staff Development	13,100	12,675	8,310	4,365
Other Charges	200	200	119	81
Education Media Personnel	-	42,680	42,680	-
Total Instructional Staff Services - Regular Instruction	524,390	539,740	534,530	5,210
Instructional Staff Services - Special Education				
Supervisor/Director	71,749	72,078	72,078	-
Career Ladder Program	2,000	2,000	2,000	-
Secretaries	16,016	16,016	16,016	-
Social Security	5,565	5,565	5,524	41
State Retirement	6,218	6,258	11,630	(5,372)
Life Insurance	113	113	113	-
Medical Insurance	12,212	11,912	10,468	1,444
Dental Insurance	755	755	737	18
Medicare	1,301	1,301	1,292	9
Maintenance and Repair - Equipment	500	500	50	450
Travel	900	1,160	839	321
In-Service/Staff Development	3,300	3,700	3,678	22
Other Charges	250	250	-	250
Instructional Staff Services - Special Education	120,879	121,608	124,425	(2,817)

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	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	28,213	29,576	29,576	-
Career Ladder Program	-	1,800	1,800	-
Secretaries	19,471	19,724	19,724	-
Social Security	2,956	1,256	1,223	33
State Retirement	3,616	1,831	1,828	3
Life Insurance	45	45	45	-
Medical Insurance	8,772	8,372	8,209	163
Dental Insurance	557	602	590	12
Medicare	691	746	741	5
In-Service/Staff Development	3,700	3,700	1,360	2,340
Instructional Staff Services - Vocational Education	68,021	67,652	65,096	2,556
Total Instructional Staff Support Services	713,290	729,000	724,051	4,949
General Administrative				
General Administrative Services - Board of Education				
Secretary to Board	1,200	1,200	1,200	-
Social Security	74	74	73	1
State Retirement	111	111	111	-
Unemployment Compensation	7,000	7,000	7,206	(206)
Medicare	17	17	17	-
Audit Services	20,500	21,525	21,525	-
Dues and Memberships	6,500	6,620	6,616	4
Legal Services	24,000	24,000	19,705	4,295
Other Contracted Services	1,500	2,000	2,000	-
Liability Insurance	22,172	26,397	26,397	-
Premium on Corporate Surety Bonds	1,500	1,330	1,328	2
Trustee Commissions	60,000	52,500	47,738	4,762
Workers' Compensation	84,500	90,500	90,223	277
In-Service/Staff Development	7,750	7,950	7,872	78
Other Charges	2,000	2,000	1,774	226
Total General Admin. Serv. Board of Education	238,824	243,224	233,785	9,439
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	85,905	90,489	90,489	-
Career Ladder Program	1,000	1,000	800	200

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	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	38,293	38,293	38,293	-
Clerical Personnel	28,454	28,454	28,454	-
Social Security	9,526	9,986	9,969	17
State Retirement	11,767	12,327	16,025	(3,698)
Life Insurance	180	180	180	-
Medical Insurance	18,836	18,286	18,243	43
Dental Insurance	907	907	885	22
Medicare	2,229	2,339	2,331	8
Advertising	2,000	2,750	2,714	36
Communication	25,000	30,000	25,927	4,073
Dues and Memberships	1,500	1,235	1,235	-
Postal Charges	4,500	6,000	5,692	308
Printing, Stationery and Forms	500	500	499	1
Travel	450	450	278	172
Other Contracted Services	6,000	6,000	5,683	317
Office Supplies	5,000	5,750	5,693	57
In-Service/Staff Development	3,400	3,400	3,356	44
Other Charges	6,475	6,475	4,366	2,109
Other Salaries and Wages	-	4,000	4,000	-
Total General Admin. Serv. Office of the Superintendent	251,922	268,821	265,112	3,709
Total General Administrative Support Services	490,746	512,045	498,897	13,148
School Administrative				
School Administrative Services - Office of the Principal				
Principals	309,261	308,261	308,254	7
Career Ladder Program	11,000	12,000	12,000	-
Assistant Principals	221,163	224,013	223,991	22
Secretaries	106,196	106,196	104,654	1,542
Other Salaries and Wages	10,397	10,397	7,283	3,114
Social Security	40,482	40,544	38,982	1,562
State Retirement	45,080	45,144	51,680	(6,536)
Life Insurance	1,091	1,091	1,091	-
Medical Insurance	92,955	89,955	89,487	468
Dental Insurance	4,643	4,643	4,474	169
Medicare	9,510	9,524	9,117	407
Communication	25,691	25,691	25,612	79
Travel	2,000	2,100	1,258	842
Office Supplies	17,225	17,225	17,196	29
In-Service/Staff Development	2,000	3,350	3,263	87
Total School Admin. Serv. Office of the Principal	898,694	900,134	898,342	1,792
Total School Administrative Support Services	898,694	900,134	898,342	1,792

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Business Administrative Services - Fiscal Services				
Supervisor/Director	64,519	64,519	64,519	-
Accountants/Bookkeepers	68,745	68,745	68,744	1
Secretaries	32,032	32,032	32,032	-
Social Security	10,248	10,248	10,124	124
State Retirement	13,611	13,611	15,193	(1,582)
Life Insurance	225	225	225	-
Medical Insurance	21,395	20,725	20,722	3
Dental Insurance	1,209	1,209	1,180	29
Medicare	2,396	2,396	2,368	28
Data Processing Services	5,034	5,154	5,150	4
Dues and Subscriptions	75	75	75	-
Travel	150	150	-	150
Data Processing Supplies	500	500	461	39
Office Supplies	2,700	4,025	4,012	13
In-Service/Staff Development	3,500	3,000	2,428	572
Other Charges	1,000	2,300	2,293	7
Total Bus. Admin. Serv. - Fiscal Services	227,339	228,914	229,526	(612)
Operation and Maintenance - Operation of Plant				
Operation and Maintenance				
Supervisor/Director	26,790	26,940	26,926	14
Custodial Personnel	240,184	240,184	237,339	2,845
Social Security	16,500	16,500	16,308	192
State Retirement	24,700	24,700	36,651	(11,951)
Life Insurance	799	799	781	18
Medical Insurance	96,682	88,542	88,538	4
Dental Insurance	5,405	5,290	5,039	251
Medicare	3,861	3,861	3,814	47
Other Contracted Services	40,000	52,500	48,704	3,796
Custodial Supplies	30,000	30,900	30,704	196
Electricity	365,000	416,000	415,834	166
Natural Gas	185,000	157,470	152,930	4,540
Water and Sewer	23,625	31,125	28,751	2,374
Boiler Insurance	3,835	4,040	4,038	2
Building and Contents Insurance	68,877	73,577	73,574	3
Other Charges	4,000	6,500	6,405	95
Total Oper. & Maint. - Operation of Plant	1,135,258	1,178,928	1,176,336	2,592

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	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	37,960	34,310	34,010	300
Maintenance Personnel	124,520	141,830	139,627	2,203
Social Security	10,074	10,524	10,294	230
State Retirement	15,062	16,347	16,085	262
Life Insurance	225	225	225	-
Medical Insurance	30,564	29,614	29,602	12
Dental Insurance	1,512	1,512	1,475	37
Medicare	2,356	2,456	2,407	49
Laundry Service	2,000	2,750	2,507	243
Maintenance and Repair - Buildings	97,500	172,500	168,811	3,689
Maintenance and Repair - Equipment	1,800	1,800	949	851
Maintenance and Repair - Vehicles	1,000	2,000	1,749	251
Other Contracted Services	40,000	51,720	47,607	4,113
Inservice/Staff Development	250	250	151	99
Other Equipment	700	780	780	-
Total Oper. & Maint. - Maintenance of Plant	365,523	468,618	456,279	12,339
Total Operation and Maintenance Support Services	1,500,781	1,647,546	1,632,615	14,931
Student Transportation				
Supervisor/Director	2,500	2,500	2,500	-
Mechanics	7,500	8,275	4,735	3,540
Bus Drivers	65,709	60,109	59,477	632
Other Salaries and Wages	2,500	3,775	3,754	21
Social Security	4,769	4,769	3,870	899
State Retirement	6,965	6,965	8,239	(1,274)
Life Insurance	270	290	288	2
Medical Insurance	41,932	35,132	35,087	45
Dental Insurance	2,129	1,904	1,893	11
Medicare	1,114	1,114	922	192
Maintenance and Repair - Vehicles	5,000	5,000	3,426	1,574
Medical and Dental Services	1,500	2,000	1,651	349
Diesel Fuel	30,000	26,000	25,422	578
Gasoline	9,000	9,000	8,064	936
Tires and Tubes	4,000	4,000	2,148	1,852
Vehicle Parts	6,000	13,000	12,867	133
Vehicle Insurance	20,575	22,720	22,717	3
Inservice/Staff Development	250	650	650	-
Other Charges	1,500	1,500	687	813
Transportation Equipment	-	19,490	19,489	1
Total Student Transportation Support Services	213,213	228,193	217,886	10,307

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Central Services				
Supervisor/Director	52,457	52,457	52,457	-
Data Processing Personnel	67,600	68,890	68,889	1
Social Security	7,443	7,528	7,523	5
State Retirement	9,635	9,755	11,887	(2,132)
Life Insurance	180	180	180	-
Medical Insurance	17,757	17,632	17,616	16
Dental Insurance	907	887	885	2
Medicare	1,741	1,761	1,760	1
Maintenance and Repair - Equipment	24,000	24,600	24,563	37
Travel	725	1,900	1,901	(1)
Other Contracted Services	19,500	48,350	42,493	5,857
Data Processing Supplies	4,000	3,250	3,217	33
Other Supplies and Materials	2,500	15,500	14,536	964
In-Service/Staff Development	2,000	1,150	1,122	28
Data Processing Equipment	12,500	37,539	37,508	31
Total Support Services Central Services	222,945	291,379	286,537	4,842
Total Support Services	4,958,783	5,251,717	5,203,076	48,641
Food Service				
Clerical Personnel	32,032	32,032	32,032	-
Social Security	1,970	1,970	1,962	8
State Retirement	2,969	2,969	2,969	-
Medicare	460	460	459	1
Total Food Service	37,431	37,431	37,422	9
Community Services				
Supervisor/Director	32,400	34,240	34,122	118
Other Salaries and Wages	87,000	110,315	109,897	418
Social Security	7,409	8,919	8,916	3
State Retirement	3,819	3,969	3,786	183
Life Insurance	45	81	81	-
Medical Insurance	5,265	5,065	5,065	-
Dental Insurance	302	302	295	7
Medicare	1,733	2,092	2,085	7
Travel	800	750	475	275
Food Supplies	5,500	5,410	5,404	6

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Community Services (Continued)				
Other Supplies and Materials	8,075	13,225	12,752	473
Other Charges	4,525	5,250	5,239	11
Other Equipment	2,000	2,625	2,618	7
Total Community Services	<u>158,873</u>	<u>192,243</u>	<u>190,735</u>	<u>1,508</u>
Early Childhood Education				
Supervisor/Director	49,607	53,289	53,265	24
Teachers	83,931	85,305	85,301	4
Secretary(s)	8,592	14,436	14,436	-
Bus Drivers	14,105	13,751	13,692	59
Educational Assistants	50,005	52,771	52,763	8
Custodian	11,438	11,840	11,518	322
Social Security	13,497	14,162	14,122	40
State Retirement	16,374	17,109	17,107	2
Life Insurance	643	585	585	-
Medical Insurance	58,784	52,370	54,205	(1,835)
Dental Insurance	3,266	3,008	2,987	21
Employer Medicare	3,033	3,314	3,302	12
Communication	2,000	4,400	4,394	6
Other Contracted Services	48,505	46,016	44,486	1,530
Instructional Supplies	4,000	10,000	10,193	(193)
Total Early Childhood Education	<u>367,780</u>	<u>382,356</u>	<u>382,356</u>	<u>-</u>
Capital Outlay - Regular				
Architects	25,000	205,000	200,797	4,203
Building Improvements	394,019	280,107	279,251	856
Total Capital Outlay	<u>419,019</u>	<u>485,107</u>	<u>480,048</u>	<u>5,059</u>
Total Expenditures	<u>15,769,447</u>	<u>16,418,455</u>	<u>16,363,388</u>	<u>55,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,979,096)</u>	<u>(3,190,571)</u>	<u>(3,004,932)</u>	<u>185,639</u>

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES				
Bond Proceeds	575,741	675,069	669,946	(5,123)
Operating Grant/Contribution	2,332,000	2,332,000	2,332,000	-
Transfer from Primary Government	21,609	21,609	21,609	-
Total Other Financing Sources	2,929,350	3,028,678	3,023,555	(5,123)
NET CHANGE IN FUND BALANCE	(49,746)	(161,893)	18,623	180,516
FUND BALANCE, JULY 1, 2008	1,002,016	1,002,016	1,002,016	-
PRIOR PERIOD ADJUSTMENT	-	-	93,920	93,920
FUND BALANCE, JULY 1, 2008 RESTATED	1,002,016	1,002,016	1,095,936	93,920
FUND BALANCE, JUNE 30, 2009	\$ 952,270	840,123	1,114,559	274,436

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenues				
Title I	\$ 760,837	803,328	711,902	(91,426)
Title II	125,948	134,550	124,978	(9,572)
Title X	-	25,000	25,000	-
Special Education (IDEA)	415,631	415,631	360,000	(55,631)
Special Education (Preschool)	11,961	12,219	12,219	-
Vocational Education	43,442	45,526	45,526	-
Safe and Drug-Free Schools	-	18,755	16,365	(2,390)
Other Federal Through State	51,013	27,078	20,521	(6,557)
TOTAL REVENUES	1,408,832	1,482,087	1,316,511	(165,576)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	123,673	123,673	122,086	1,587
Educational Assistants	202,580	204,730	204,673	57
Other Salaries and Wages	14,630	19,685	19,685	-
Social Security	21,138	21,425	20,087	1,338
State Retirement	27,020	27,346	27,114	232
Life Insurance	990	990	986	4
Medical Insurance	103,371	101,221	92,975	8,246
Dental Insurance	5,486	5,486	5,260	226
Medicare	4,943	5,011	4,761	250
Other Contracted Services	7,020	16,752	14,370	2,382
Instructional Supplies and Materials	30,000	40,000	35,889	4,111
Other Charges	30,000	30,000	18,749	11,251
Regular Instruction Equipment	42,000	52,646	41,557	11,089
Total Instruction - Regular Instruction	612,851	648,965	608,192	40,773
Instruction - Special Education				
Educational Assistants	249,254	252,708	231,206	21,502
Social Security	15,454	15,671	13,635	2,036
State Retirement	23,108	23,433	20,243	3,190
Life Insurance	900	918	810	108
Medical Insurance	109,322	105,698	83,754	21,944
Dental Insurance	6,096	5,913	4,965	948
Medicare	3,617	3,668	3,246	422
Total Instruction - Special Education	407,751	408,009	357,859	50,150

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Vocational Education				
Other Supplies and Materials	5,000	5,750	5,478	272
Vocational Instruction Equipment	24,572	24,848	25,112	(264)
Total Instruction - Vocational Education	29,572	30,598	30,590	8
 Total Instructional Expenditures	 1,050,174	 1,087,572	 996,641	 90,931
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	67,434	66,144	66,142	2
Secretary	16,016	16,016	16,016	-
Other Salaries and Wages	12,106	12,106	12,060	46
Social Security	5,925	5,290	5,286	4
State Retirement	5,814	5,734	5,731	3
Life Insurance	113	113	113	-
Medical Insurance	9,059	8,534	8,531	3
Dental Insurance	456	446	443	3
Employer Medicare	1,385	1,240	1,236	4
Travel	3,000	3,000	1,389	1,611
Other Contracted Services	6,324	6,574	6,571	3
Other Supplies and Materials	15,000	17,990	5,485	12,505
In-Service/Staff Development	75,895	95,050	75,428	19,622
Other Charges	32,062	41,557	12,267	29,290
Furniture and Fixtures	2,000	2,000	-	2,000
Other Equipment	7,754	7,754	4,485	3,269
Total Instructional Staff Services - Reg Instruction	260,343	289,548	221,183	68,365
Support Services - Student Transportation				
Bus Drivers	8,509	8,509	8,414	95
Other Salaries and Wages	1,720	1,470	840	630
Social Security	635	635	532	103
State Retirement	949	949	858	91
Life Insurance	45	45	45	-
Medical Insurance	5,335	5,335	-	5,335
Dental Insurance	305	305	295	10
Medicare	148	148	124	24
Total Support Services Student Transportation	17,646	17,396	11,108	6,288

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Other Services				
Health Services	36,901	36,901	36,901	-
Other Student Support	15,282	22,854	22,861	(7)
Special Education Support	4,207	4,207	4,207	-
Vocational Support	2,670	2,000	2,001	(1)
Total Other Services	59,060	65,962	65,970	(8)
Total Support Services	337,049	372,906	298,261	74,645
TOTAL EXPENDITURES	1,387,223	1,460,478	1,294,902	165,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,609	21,609	21,609	0
Other Financing Sources (Uses)				
Transfers In	165,428	166,678	166,678	-
Transfers Out	(187,037)	(188,287)	(188,287)	-
TOTAL OTHER FINANCING SOURCES (USES)	(21,609)	(21,609)	(21,609)	0
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCE, JULY 1, 2008	-	-	-	-
FUND BALANCE, JUNE 30, 2009	\$ 0	0	0	0

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHOOL NUTRITION FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 298,300	327,250	327,248	(2)
USDA Breakfast Claims	88,800	105,350	105,356	6
Snack Reimbursement	10,800	8,825	8,815	(10)
Commodities	-	-	49,121	49,121
Other State Funds	-	-	16,988	16,988
State Matching	9,550	9,550	9,071	(479)
Total Intergovernmental Revenues	407,450	450,975	516,599	65,624
Charges for Services				
Meal Payment - Children	294,918	281,668	281,660	(8)
Meal Payment - Adults	27,550	24,500	24,496	(4)
Income from Breakfast	1,920	3,120	3,149	29
A La Carte Sales	85,000	66,025	66,019	(6)
Other Charges for Services	10,000	10,720	10,720	-
Total Charges for Services	419,388	386,033	386,044	11
Investment Earnings	4,300	1,800	1,796	(4)
Miscellaneous Refunds	-	6,328	6,327	(1)
<b>TOTAL REVENUES</b>	<b>831,138</b>	<b>845,136</b>	<b>910,766</b>	<b>65,630</b>
<b>EXPENDITURES</b>				
Food Services				
Supervisor/Director	37,170	37,170	36,442	728
Cafeteria Personnel	256,328	256,328	245,269	11,059
Other Salaries and Wages	3,500	7,000	4,970	2,030
Social Security	18,412	18,412	16,951	1,461
State Retirement	24,337	24,337	40,801	(16,464)
Life Insurance	900	900	886	14
Medical Insurance	121,631	121,631	121,466	165
Dental Insurance	20,123	20,123	6,563	13,560
Medicare	4,307	4,307	3,974	333
Communication	525	728	647	81
Maintenance/Repair - Equipment	5,250	5,250	3,779	1,471
Transportation	1,700	5,200	4,312	888
Travel	50	50	-	50
Food Supplies	306,500	306,500	325,505	(19,005)
Office Supplies	1,250	1,600	1,395	205
Other Supplies and Materials	22,150	23,650	22,971	679
In-Service/Staff Development	955	1,050	975	75
Other Charges	4,550	5,900	4,868	1,032
Equipment	1,500	5,000	3,032	1,968
<b>TOTAL EXPENDITURES</b>	<b>831,138</b>	<b>845,136</b>	<b>844,806</b>	<b>330</b>

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHOOL NUTRITION FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2009

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	65,960	65,960
FUND BALANCE, JULY 1, 2008	135,652	135,652	135,652	-
FUND BALANCE, JUNE 30, 2009	<u>\$ 135,652</u>	<u>135,652</u>	<u>201,612</u>	<u>65,960</u>

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Related Organizations

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The School System reports the following governmental funds:

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

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables

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

Inventories

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

Capital Assets

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

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

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

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Fund Equity

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

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Schools' financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the 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 accounting principles generally accepted in the United States of America.

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, 2009

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NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

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

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

INVESTMENTS - State statutes authorize the system to invest in treasury bonds, notes or bills of the United States of America; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States of America or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States of America or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool (LGIP); obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

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

Deposits

All deposits of the Schools are held by a bank which is an approved member of the Bank Collateral Pool of the Treasury Department of the State of Tennessee. The Collateral Pool is a multiple financial institution collateral pool and state statutes require collateral pledged by each financial institution must equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. At year end, the School's carrying amount of deposits was \$702,262 and the bank balance was \$1,126,856.

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, 2009

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Receivables

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

	<u>General Purpose School Fund</u>	<u>School Federal Projects Fund</u>	<u>School Nutrition Fund</u>	<u>Total</u>
Other Receivables	\$ 20,352	-	-	20,352
Due from Other Governments				
Federal and State	955,519	105,173	3,870	1,064,562
Carter County, Tax Allocation	<u>2,009,037</u>	<u>-</u>	<u>-</u>	<u>2,009,037</u>
Total Receivables	<u><u>\$ 2,984,908</u></u>	<u><u>105,173</u></u>	<u><u>3,870</u></u>	<u><u>3,093,951</u></u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Receivables not received within period of availability:		
Property tax levied for ensuing fiscal year:		
General Fund	\$ -	1,832,037
Property tax levied but not collected in period of availability	<u>138,877</u>	<u>-</u>
	<u><u>\$ 138,877</u></u>	<u><u>1,832,037</u></u>

On the fund financial statement level, deferred revenue is \$1,970,914 for the current year.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	756	254,950	-	255,706
Total Capital Assets, Not Being Depreciated	216,926	254,950	0	471,876
Capital Assets, Being Depreciated				
Buildings	15,265,969	179,985	-	15,445,954
Equipment	955,481	45,113	(30,539)	970,055
Total Capital Assets, Being Depreciated	16,221,450	225,098	(30,539)	16,416,009
Less Accumulated Depreciation For:				
Buildings	(7,624,481)	(323,629)	-	(7,948,110)
Equipment	(582,143)	(45,669)	29,012	(598,800)
Total Accumulated Depreciation	(8,206,624)	(369,298)	29,012	(8,546,910)
Total Capital Assets, Being Depreciated, Net	8,014,826	(144,200)	(1,527)	7,869,099
Total Capital Assets, Net	\$ 8,231,752	110,750	(1,527)	8,340,975

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



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Long-term Debt

The following is a summary of debt transactions of the school system for the year ended June 30, 2009:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 32,642	5,592	1,723	36,511	1,342
Governmental Activities					
Long Term Liabilities	\$ 32,642	5,592	1,723	36,511	1,342

NOTE 4 - OTHER INFORMATION

Risk Management

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

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

Contingent Liabilities

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

The Board of Education has several contracts on-going for renovations and construction/repairs at two schools. This includes a contract for \$2,000,400 for school renovations and another contract for \$1,421,370 for re-roofing at two schools. As of June 30, 2009, \$54,207 had been spent for the re-roofing and \$0 on the contract for the renovations.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan

Plan Description

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

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

Funding Policy

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

Elizabethton, Tennessee City Schools is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 9.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Elizabethton, Tennessee City Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the year ending June 30, 2009, Elizabethton, Tennessee City School's annual pension cost of \$214,097 to TCRS was equal to Elizabethton, Tennessee City School's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Elizabethton, Tennessee City School's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2009	\$214,097	100.00%	\$0.00
June 30, 2008	\$208,890	100.00%	\$0.00
June 30, 2007	\$189,875	100.00%	\$0.00

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.71% percent funded. The actuarial accrued liability for benefits was \$6.14 million, and the actuarial value of assets was \$5.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.76 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2 million, and the ratio of the UAAL to the covered payroll was 37.14% percent.

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

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

Defined Benefit Plan (Continued)  
Annual Pension Cost (Continued)

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$5,388	\$6,143	\$755	87.71%	\$2,033	37.14%

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

Plan Description

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Plan Description (Continued)

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

Funding Policy

Most teachers are required by state statute to contribute 5.00% of salary of the plan. The employer contribution rate for Elizabethton City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2009, 2008, and 2007 were \$545,446, \$502,459 and \$469,320, respectively, equal to the required contributions for each year.

Post-Employment Healthcare Plan

Plan Description

The Elizabethton, Tennessee City Schools participates in the state-administered Teacher Group Insurance 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 a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) 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. Claims 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.

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, 2009

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Funding Policy (Continued)

The school system pays 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2009 are as follows:

Monthly Premiums – Retiree:

PPO	\$253 to \$345 (single coverage)
POS	\$232 to \$317 (single coverage)
HMO	\$246 to \$336 (single coverage)

Monthly Premiums – Active:

PPO	\$461 (single coverage)
POS	\$422 (single coverage)
HMO	\$448 (single coverage)

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

	07/01/2008 - 06/30/2009
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 224,940
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense) (1+2+3)	224,940
5. Contribution made (assumed end of year)*	121,999
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	102,941
7. Net OPEB Obligation - beginning of year	-
8. Net OPEB Obligation - end of year (6 + 7)	\$ 102,941

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

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, 2009

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Funding Policy (Continued)

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2009	Teacher & Local Government	\$ 224,940	58.3%	\$ 102,941

*Data not available for two preceding years.*

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Valuation Date	July 1, 2007
Actuarial Accrued Liability (AAL)	\$ 1,194,285
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	1,194,285
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	11,225,541
UAAL as a Percentage of Covered Payroll	11%

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, presented as RSI following the notes to the financial statements, presents multiyear 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, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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NOTE 4 - OTHER INFORMATION (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In the actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 6.0 percent after ten years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008. Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the system elected to implement prospectively, therefore prior year comparative data is not available.

Total On-behalf payments were \$130,679.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$93,920 relating to sales tax and reserves is reflected on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances.



## REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
For the Fiscal Year Ended June 30, 2009

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets  (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$5,388	\$6,143	\$755	87.71%	\$2,033	37.14%

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

See Independent Auditors' Report.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FUNDING PROGRESS OF POST - RETIREMENT BENEFITS OTHER THAN  
PENSION (UNAUDITED)  
For the Fiscal Year Ended June 30, 2009

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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, 2007	\$0	\$1,194,285	\$1,194,285	0.00%	11,225,541	11.00%

Note: Information was not available for prior years .

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See Independent Auditors' Report.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<u>General Purpose School Fund:</u>						
Pass Through Other Entities:						
84.000	Education Edge	U.S. Department of Education	\$ 69	-	-	69 **
Pass Through State of Tennessee:						
84.027	High Excess Cost Student	U.S. Department of Education	10,909	26,545	37,454	-
Total General Purpose School Fund			10,978	26,545	37,454	69
<u>School Federal Projects Fund:</u>						
Pass Through State of Tennessee:						
84.048	Carl Perkins (Vocational Program Improvements)	U.S. Department of Education	(11,150)	42,614	45,526	(14,062) *
84.186	Drug Free Schools	U.S. Department of Education	(5,736)	19,006	16,365	(3,095) *
84.027	IDEA, Project	U.S. Department of Education	0	372,219	372,219	0

\* Receivable

\*\* Unused Revenue

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<u>School Federal Projects Fund (Continued):</u>						
Pass Through State of Tennessee (Continued):						
84.196	Title X Education for Homeless	U.S. Department of Education	(11,463)	16,380	25,000	(20,083) *
84.010	Title I, Project	U.S. Department of Education	(37,749)	706,294	711,902	(43,357) *
84.048	Title II, Part A	U.S. Department of Education	(4,538)	108,998	124,978	(20,518) *
84.048	Title II, Part D	U.S. Department of Education	(5,273)	5,273	-	0
	Total Title II		(9,811)	114,271	124,978	(20,518)
84.126	Vocational Rehabilitation	U.S. Department of Education	(11,215)	27,727	20,570	(4,058) *
Total School Federal Projects Fund			(87,124)	1,298,511	1,316,560	(105,173)
<u>School Nutrition Fund:</u>						
Pass Through State of Tennessee:						
10.533	National School Breakfast Program	U.S. Department of Agriculture	(10,244)	114,626	105,356	(974) *
10.555	National School Lunch Program	U.S. Department of Agriculture	(27,550)	352,904	327,446	(2,092) *
10.555	National Snack Reimbursement	U.S. Department of Agriculture	(1,035)	9,046	8,815	(804) *

\* Receivable

\*\* Unused Revenue

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<u>School Nutrition Fund (Continued):</u>						
Pass Through TN Department of Agriculture						
10.550	USDA: Commodity Supplemental Feeding- Commodities Distributed	Tennessee Department of Agriculture	-	49,121	49,121	-
Total School Nutrition Fund			(38,829)	525,697	490,738	(3,870)
TOTAL FEDERAL GRANTS			\$ (114,975)	1,850,753	1,844,752	(108,974)

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

See Independent Auditors' Report.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2009

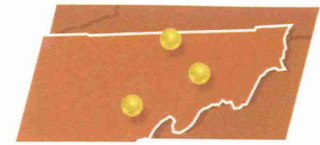
CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Balance June 30, 2009
<u>General Purpose School Fund:</u>						
N/A	Early Childhood Grant - Pilot	Tennessee Department of Education	\$ (90,445)	283,033	286,767	(94,179) *
N/A	Coordinated School Health	Tennessee Department of Education	(46,977)	89,975	90,000	(47,002) *
N/A	Early Childhood Grant - Lottery	Tennessee Department of Education	(40,023)	93,551	95,589	(42,061) *
N/A	Safe Schools Act	Tennessee Department of Education	<u>(1,180)</u>	<u>3,695</u>	<u>7,607</u>	<u>(5,092) *</u>
Total General Purpose School Fund			<u>(178,625)</u>	<u>470,254</u>	<u>479,963</u>	<u>(188,334)</u>
<u>School Nutrition Fund:</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	<u>-</u>	<u>9,071</u>	<u>9,071</u>	<u>-</u>
Total School Nutrition Fund			<u>0</u>	<u>9,071</u>	<u>9,071</u>	<u>0</u>
TOTAL STATE GRANTS			<u>\$ (178,625)</u>	<u>479,325</u>	<u>489,034</u>	<u>(188,334)</u>

See Independent Auditors' Report.

## SECTION II

### INTERNAL CONTROL AND COMPLIANCE SECTION





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

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

We have audited the financial statements of the governmental activities and each major fund of the Elizabethton, Tennessee City Schools which is a component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Elizabethton, Tennessee City Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Elizabethton, Tennessee City Schools' financial statements that is more than inconsequential will not be prevented or detected by the Elizabethton, Tennessee City Schools' internal control.

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

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

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

Compliance and Other Matters

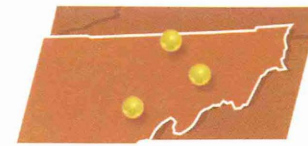
As part of obtaining reasonable assurance about whether the Elizabethton, Tennessee City Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

We noted certain matters that we reported to management of the Elizabethton, Tennessee City Schools in a separate letter dated December 3, 2009.

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

*Blackburn, Childers & Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 3, 2009



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

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

#### Compliance

We have audited the compliance of the Elizabethton, Tennessee City Schools, which is a component unit of the City of Elizabethton, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. Elizabethton, Tennessee City Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Elizabethton, Tennessee City Schools' management. Our responsibility is to express an opinion on the Elizabethton, Tennessee City Schools' compliance based on our audit.

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

In our opinion, the Elizabethton, Tennessee City Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.



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

Page 2

Internal Control Over Compliance

The management of the Elizabethton, Tennessee City Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Elizabethton, Tennessee City Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elizabethton, Tennessee City Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

*Blackburn, Childers & Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 3, 2009

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2009

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Section I - Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities and each major fund of the Elizabethton, Tennessee City Schools, which is a component unit of the City of Elizabethton, Tennessee.
2. There were no material weaknesses identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Elizabethton, Tennessee City Schools were disclosed during the audit.
4. There were no significant deficiencies identified that are considered material weaknesses relating to the audit of major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton, Tennessee City Schools expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510 (a) of Circular A-133.
7. The programs tested as major programs were Title I CFDA #84.010 and USDA School Lunch Program, CFDA #10.555.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Elizabethton, Tennessee City Schools was not determined to be a low - risk auditee.

Section II - Financial Statement Finding

None

Section III - Federal Award Findings and Questioned Costs

None