

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, 2010

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
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For the Fiscal Year Ended June 30, 2010

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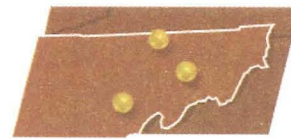
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SECTION I  
FINANCIAL SECTION

**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, 2010, 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 a opinions on these financial statements based on our audit.

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

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, 2010, 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, 2010, and the respective changes in financial position, 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 8, 2010 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress and schedule of funding progress of post-retirement benefits other than pensions on pages 3-7 and page 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elizabethton, Tennessee City Schools' financial statements as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

December 8, 2010

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

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, 2010. 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 completion and construction in progress of projects funded by the \$6.75 million bond issue by the City of Elizabethton. Also, the Board received funds from the American Reinvestment and Recovery Act (ARRA stimulus funding). Total net assets increased by 42.7% over the course of the year.

- The total Unreserved/Undesignated General Purpose fund balance decreased by \$18,481 and the School Nutrition increased by \$58,888.
- One school bus to be used system-wide and one school bus to be used for Special Education were purchased.
- The re-roofing of Elizabethton High School and Harold McCormick Elementary was completed.
- The project of window and door replacements at East Side and West Side Elementary Schools was completed.

**Overview of the Financial Statements**

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

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

***Government-Wide Statements***

The government-wide statements report information about the school system as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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, TENNESSEE CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

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

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

Condensed Statement of Net Assets

	Restated 2009	2010	Total % Change 2009-2010
Current and Other Assets	\$ 3,896,307	4,282,352	9.9%
Capital Assets	8,340,975	12,775,748	53.2%
<b>Total Assets</b>	<b>12,237,282</b>	<b>17,058,100</b>	<b>39.4%</b>
Current Liabilities	2,441,259	2,747,931	12.6%
Long-Term Liabilities	647,511	1,251,809	93.3%
<b>Total Liabilities</b>	<b>3,088,770</b>	<b>3,999,740</b>	<b>29.5%</b>
Net Assets Invested in Capital Assets	8,340,975	12,775,748	53.2%
Unrestricted	807,537	282,612	-65.0%
<b>Total Net Assets</b>	<b>\$ 9,148,512</b>	<b>13,058,360</b>	<b>42.7%</b>

Net Assets

The Board's Current and Other Assets increased by 9.9% during the 2009-2010 fiscal year. This increase is mainly due to the increase of receivable for reimbursement for expenditures from the bond issue from the City of Elizabethton and the ARRA stimulus funds. The increase in Capital Assets is the result of improvements made from funds generated by the bond issue from the City of Elizabethton.

The Board's financial position is the product of many factors. During the 2009-2010 fiscal year, local tax revenue and state BEP funds realized an additional increase due to the continued increase in student enrollment. The capital outlay projects window and door replacements at East Side and West Side Elementaries, and the re-roofing at Harold McCormick Elementary and Elizabethton High School were completed. Also, two school buses were purchased. Construction in progress included the almost completed addition of a gymnasium and classrooms at West Side Elementary.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

Changes in Net Assets from Operating Results

	Governmental Activities		Total %
	Restated		Change
	2009	2010	2009-2010
Revenues			
Program Revenues			
Charges for Services	\$ 675,333	685,081	1.4%
Operating Grants	4,768,004	6,096,918	27.9%
Capital Grants and Contributions	669,946	4,573,663	582.7%
General Revenues			
Property Taxes	1,839,641	1,915,756	4.1%
Other Taxes	1,277,890	1,391,775	8.9%
State Revenues	9,312,012	9,105,649	-2.2%
Other	52,236	26,794	-48.7%
Total Revenues	18,595,062	23,795,636	28.0%
Expenses			
Instruction	11,440,297	12,105,348	5.8%
Student Services	738,953	798,877	8.1%
Instructional Staff Services	976,597	1,031,908	5.7%
General Administration	515,451	593,295	15.1%
School Administration	928,149	939,421	1.2%
Business Services	237,142	235,787	-0.6%
Plant Operation and Maintenance	2,066,226	2,080,519	0.7%
Student Transportation	236,592	228,697	-3.3%
Central Services	296,044	275,531	-6.9%
Support Services	68,159	96,190	41.1%
Food Service	911,500	941,836	3.3%
Community Services	197,063	164,088	-16.7%
Early Childhood Education	395,042	394,291	-0.2%
Total Expenses	19,007,215	19,885,788	4.6%
Increase in Net Assets	(412,153)	3,909,848	
Beginning Net Assets (Restated)	9,560,665	9,148,512	
Ending Net Assets	\$ 9,148,512	13,058,360	



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

The total cost of all programs and services rose 4.6% to \$19.8 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (71.2% 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 10.6% of total costs. The total increase of 4.6% reflects increased spending due to projects being funded by the bond issue from the City of Elizabethton and the addition of ARRA stimulus funds.

Governmental Activities

Revenues for the Board's governmental activities increased by 28.0%, while total expenses increased by 4.6%. The increase in net assets for governmental activities was \$3,909,848 in 2010.

**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 \$1,364,610, which were more than last year's ending fund balances of \$1,316,171. This increase is mainly due to continued changes in the School Nutrition Fund which resulted in additional savings for the program for 2009-2010.

The Board's governmental funds experienced revenues and other sources more/(less) than expenditures in 2010 as follows:

General Purpose	\$(18,481)
Federal Projects	\$ 8,032
Child Nutrition	\$ 58,888

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 \$20,736,096 of revenues and other sources would be received, the Board actually received \$26,641 more than anticipated. The Board budgeted \$21,023,269 of expenditures. The actual expenditures of \$20,781,218 were \$242,051 under budget.

ELIZABETHTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**Capital Asset and Debt Administration**

By the end of 2010, the Elizabethton City Schools had invested \$10 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 \$2,179,624 or 27.7% 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 \$405,788, while building improvements and additions to equipment amounted to \$2,563,479 (net of decreases.)

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		Total %
	<u>2009</u>	<u>2010</u>	<u>Change</u>
			<u>2009-2010</u>
Land	\$ 216,170	216,170	0.0%
Construction In Progress	255,706	2,510,855	881.9%
Buildings	7,497,844	9,558,275	27.5%
Equipment and Vehicles	<u>371,255</u>	<u>490,448</u>	32.1%
Total Assets	<u>\$8,340,975</u>	<u>12,775,748</u>	53.2%

The Board's fiscal year 2010 capital expenditures included the completion of window and door replacements at East Side and West Side Elementaries, the completion of re-roofing projects at Harold McCormick Elementary and Elizabethton High School, and the purchase of two school buses. Construction in progress included the almost completed addition of a gymnasium and classrooms at West Side Elementary.

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

The absence of the ARRA generated funds (To be expended by 6/30/11)  
Increasing insurance and benefit costs  
Meeting the goals set for graduation rate  
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, 2010

	Governmental Activities
ASSETS	
Cash	\$ 1,148,691
Receivables	
Accounts	19,794
Due from Other Governments	1,015,882
Due from Carter County	2,059,952
Inventories	38,033
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	2,510,855
Capital Assets, Net of Accumulated Depreciation	
Buildings	9,558,275
Equipment	490,448
Total Assets	<u>17,058,100</u>
LIABILITIES	
Accounts Payable	748,020
Cash Overdraft	133,359
Retainage Payable	14,600
Unearned Revenues	1,851,952
Long-term Liabilities	
Due within one year	5,269
OPEB Liability	1,217,702
Due within more than one year	28,838
Total Liabilities	<u>3,999,740</u>
NET ASSETS	
Invested in Capital Assets	12,775,748
Unrestricted	<u>282,612</u>
TOTAL NET ASSETS	<u>\$ 13,058,360</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, 2010

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	\$ 9,214,953	316,937	4,352,972	4,566,666	21,622
Special Education	2,033,225	-	711,439	-	(1,321,786)
Vocational Education	722,849	-	47,446	-	(675,403)
Other	134,321	-	-	-	(134,321)
Total Instruction	<u>12,105,348</u>	<u>316,937</u>	<u>5,111,857</u>	<u>4,566,666</u>	<u>(2,109,888)</u>
Support Services					
Student Services	798,877	-	32,210	-	(766,667)
Instructional Staff	1,031,908	-	-	-	(1,031,908)
General Administrative	593,295	-	-	-	(593,295)
School Administrative	939,421	-	-	-	(939,421)
Business Administrative	235,787	-	-	-	(235,787)
Plant Operation and Maintenance	2,080,519	-	-	-	(2,080,519)
Student Transportation	228,697	-	-	-	(228,697)
Support Services	96,190	-	-	-	(96,190)
Central Services	275,531	-	-	-	(275,531)
Total Support Services	<u>6,280,225</u>	<u>0</u>	<u>32,210</u>	<u>0</u>	<u>(6,248,015)</u>
Food Service	941,836	368,144	568,395	6,997	1,700
Community Services	164,088	-	-	-	(164,088)
Early Childhood Education	<u>394,291</u>	<u>-</u>	<u>384,456</u>	<u>-</u>	<u>(9,835)</u>
Total Governmental Activities	<u>19,885,788</u>	<u>685,081</u>	<u>6,096,918</u>	<u>4,573,663</u>	<u>(8,530,126)</u>
General Revenues					
Payments from Carter County					
Property Taxes					
Sales Taxes					
Other Taxes					
Other Local Governments					
State Aid					
Unrestricted Investment Earnings					
Miscellaneous					
Contributions and Donations not Restricted to Specific Programs					
Total General Revenues					
Change in Net Assets					
Net Assets - Beginning (Restated)					
Net Assets - Ending					

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, 2010

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash in Bank	\$ 930,197	-	218,494	1,148,691
Accounts Receivable	19,794	-	-	19,794
Due from Other Governments	813,821	195,110	6,951	1,015,882
Due from Carter County	2,059,952	-	-	2,059,952
Due from Other Funds	-	5,000	-	5,000
Inventories	-	-	38,033	38,033
Total Assets	<u>\$ 3,823,764</u>	<u>200,110</u>	<u>263,478</u>	<u>4,287,352</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash Overdraft	\$ -	133,359	-	133,359
Accounts Payable	686,323	58,719	2,978	748,020
Due to Other Funds	5,000	-	-	5,000
Deferred Revenue	2,021,763	-	-	2,021,763
Retainage Payable	14,600	-	-	14,600
Total Liabilities	<u>2,727,686</u>	<u>192,078</u>	<u>2,978</u>	<u>2,922,742</u>
<b>FUND BALANCES</b>				
Reserved				
Extended School Programs	5,600	-	-	5,600
Career Ladder	5,663	-	-	5,663
Basic Education Program	238,426	-	-	238,426
Technology	28,051	-	-	28,051
Early Learning Center	3,540	-	-	3,540
Special Education	20,263	5,000	-	25,263
Special Education	138	-	-	138
Community Involvement	2,336	-	-	2,336
Title 1 - ARRA	-	1,919	-	1,919
IDEA - ARRA	-	1,113	-	1,113
Inventories	-	-	38,033	38,033
Unreserved	792,061	-	222,467	1,014,528
Total Fund Balances	<u>1,096,078</u>	<u>8,032</u>	<u>260,500</u>	<u>1,364,610</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,823,764</u>	<u>200,110</u>	<u>263,478</u>	<u>4,287,352</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, 2010

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Total Fund Balances - Governmental Funds	\$ 1,364,610
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 \$21,706,513 and the accumulated depreciation is \$(8,930,765).	12,775,748
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	169,811
OPEB benefits represent liabilities of the School System that are not recorded at the fund level.	(1,217,702)
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 compensated absences.	<u>(34,107)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 13,058,360</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, 2010

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>REVENUES</b>				
Payments from County and City	\$ 10,175,263	-	-	10,175,263
Revenue from State of Tennessee	9,749,712	-	22,672	9,772,384
Revenue from Federal Government	4,500	1,519,701	545,723	2,069,924
Revenue from Federal Government - ARRA	464,659	563,600	6,997	1,035,256
Charges for Services	316,937	-	368,144	685,081
Investment Earnings	14,345	-	1,782	16,127
Other	11,821	-	-	11,821
Total Revenues	<u>20,737,237</u>	<u>2,083,301</u>	<u>945,318</u>	<u>23,765,856</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Instruction	7,900,839	965,851	-	8,866,690
Special Education	1,384,978	597,533	-	1,982,511
Vocational Education	668,838	35,981	-	704,819
Student Body	130,971	-	-	130,971
Support Services				
Student Services	778,951	-	-	778,951
Instructional Staff	748,132	258,038	-	1,006,170
General Administrative	578,497	-	-	578,497
School Administrative	915,990	-	-	915,990
Business Administrative	229,906	-	-	229,906
Plant Operation and Maintenance	1,632,959	-	-	1,632,959
Student Transportation	210,630	12,363	-	222,993
Central Services	268,659	-	-	268,659
Other Support Services	-	93,791	-	93,791
Food Services	38,141	-	880,203	918,344
Community Services	159,995	-	-	159,995
Early Childhood Education	384,456	-	-	384,456
Capital Outlay	4,749,276	86,212	6,227	4,841,715
Total Expenditures	<u>20,781,218</u>	<u>2,049,769</u>	<u>886,430</u>	<u>23,717,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,981)</u>	<u>33,532</u>	<u>58,888</u>	<u>48,439</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	25,500	177,472	-	202,972
Transfer Out	-	(202,972)	-	(202,972)
Total Other Financing Sources (Uses)	<u>25,500</u>	<u>(25,500)</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	(18,481)	8,032	58,888	48,439
FUND BALANCE, JULY 1, 2009	<u>1,114,559</u>	<u>-</u>	<u>201,612</u>	<u>1,316,171</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 1,096,078</u>	<u>8,032</u>	<u>260,500</u>	<u>1,364,610</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, 2010

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Total Net Change in Fund Balances - Governmental Funds	\$ 48,439
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 \$4,841,715 exceeds depreciation expense of \$405,788	4,435,927
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(1,154)
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.	30,934
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 decreased by this amount for the current year.	2,404
Liability for OPEB benefits are not reported in the governmental funds.	<u>(606,702)</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,909,848</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
PAYMENTS FROM COUNTY AND CITY				
Carter County				
Local Sales Tax	\$ 1,450,000	1,450,000	1,334,488	(115,512)
County Property Tax	1,784,500	1,885,525	1,884,822	(703)
Other Local Tax	57,700	51,750	57,287	5,537
City of Elizabethton				
Contributions	8,082,000	6,907,000	6,898,666	(8,334)
Total Payments from County and City	11,374,200	10,294,275	10,175,263	(119,012)
INTERGOVERNMENTAL REVENUES				
Federal Through State of Tennessee				
Basic Education Program - ARRA	-	362,600	362,600	-
Coordinated School Health - ARRA	-	85,000	85,000	-
Internet Connectivity - ARRA	-	5,913	5,913	-
Internet Connectivity	-	1,412	1,407	(5)
Statewide Student MGMT System - ARRA	-	5,150	5,146	(4)
Safe Schools - ARRA	-	6,000	6,000	-
Safe Schools	-	3,093	3,093	-
State of Tennessee				
Basic Education Program	9,050,000	8,982,400	8,982,400	-
Driver Education	8,000	8,700	8,687	(13)
Career Ladder Program	120,087	123,249	123,249	-
Career Ladder - Extended Contract	130,040	93,000	91,587	(1,413)
Early Childhood Education	382,356	384,456	384,456	-
Other State Education Funds	100,000	-	-	-
Other State Revenues	11,500	11,500	159,333	147,833
Total Intergovernmental Revenues	9,801,983	10,072,473	10,218,871	146,398
MISCELLANEOUS REVENUES				
Tuition	338,825	317,225	316,937	(288)
Rental of School Property	1,200	1,200	1,090	(110)
Interest Income	25,000	14,500	14,345	(155)
Donations	20,200	7,985	7,918	(67)
Sale of Equipment	-	938	938	-
Other Local Revenues	2,500	2,000	1,875	(125)
Total Miscellaneous Revenues	387,725	343,848	343,103	(745)
TOTAL REVENUES	\$ 21,563,908	20,710,596	20,737,237	26,641

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES</b>				
Instruction				
Instruction - Regular Instruction				
Teachers	\$ 5,212,942	5,289,317	5,241,105	48,212
Career Ladder Program	65,500	63,580	63,500	80
Career Ladder - Extended Contract	114,000	81,529	80,290	1,239
Homebound Teachers	7,500	7,500	5,455	2,045
Educational Assistants	166,713	176,513	174,980	1,533
Other Salaries and Wages	30,000	30,000	28,668	1,332
Certified Substitute Teachers	22,500	28,000	27,691	309
Non-Certified Substitute Teachers	72,500	82,500	82,438	62
Social Security	353,639	341,627	338,849	2,778
State Retirement	364,890	364,306	424,946	(60,640)
Life Insurance	11,700	12,015	11,929	86
Medical Insurance	853,582	856,157	848,448	7,709
Dental Insurance	45,677	46,002	45,717	285
Medicare	82,186	83,663	79,694	3,969
Other Contracted Services	1,800	13,800	10,862	2,938
Instructional Supplies	94,000	94,000	92,327	1,673
Textbooks	220,000	286,000	286,000	-
Other Supplies and Materials	17,620	17,620	16,258	1,362
Furniture and Fixtures	-	20,485	20,479	6
Regular Instructional Equipment	20,000	21,365	21,203	162
Total Instruction - Regular Instruction	<u>7,756,749</u>	<u>7,915,979</u>	<u>7,900,839</u>	<u>15,140</u>
Instruction - Special Education				
Teachers	647,213	651,513	658,485	(6,972)
Career Ladder Program	11,500	12,000	12,000	-
Homebound Teachers	2,000	2,000	1,959	41
Educational Assistants	172,829	172,829	156,014	16,815
Speech Pathologist	90,765	90,765	90,730	35
Certified Substitute Teachers	2,000	6,350	6,315	35
Non-Certified Substitute Teachers	8,000	24,500	24,274	226
Other Salaries and Wages	5,223	5,223	3,678	1,545
Social Security	57,282	57,282	56,611	671
State Retirement	64,319	64,594	74,776	(10,182)
Life Insurance	2,250	2,250	2,169	81
Medical Insurance	201,826	186,751	176,869	9,882
Dental Insurance	10,207	10,207	9,316	891
Medicare	13,232	13,239	13,253	(14)
Other Contracted Services	78,323	80,323	80,871	(548)

(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, 2010

	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	20,000	14,593	5,407
Other Supplies and Materials	1,000	1,000	159	841
Other Charges	6,000	6,580	2,204	4,376
Special Education Equipment	-	705	702	3
Total Instruction - Special Education	1,383,469	1,408,111	1,384,978	23,133
Instruction - Vocational Education Program				
Teachers	491,233	491,377	489,009	2,368
Career Ladder Program	6,000	6,000	6,000	-
Certified Substitute Teachers	500	1,100	1,095	5
Non-Certified Substitute Teachers	5,000	8,800	8,622	178
Social Security	30,699	30,699	30,608	91
State Retirement	31,922	31,922	37,259	(5,337)
Life Insurance	990	990	990	-
Medical Insurance	66,651	66,651	65,026	1,625
Dental Insurance	3,652	3,652	3,540	112
Medicare	7,097	7,172	7,152	20
Maintenance and Repair - Equipment	2,400	2,400	218	2,182
Instructional Supplies	19,000	19,000	18,393	607
Other Supplies and Charges	950	950	926	24
Total Instruction - Vocational Education Program	666,094	670,713	668,838	1,875
Instruction - Student Body				
Other Salaries and Wages	98,000	106,000	105,687	313
Social Security	6,076	6,426	6,418	8
State Retirement	5,500	5,500	6,165	(665)
Employer Medicare	1,421	1,521	1,501	20
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	6,800	6,800	6,800	-
Total Instruction - Student Body	122,197	130,647	130,971	(324)
Total Instructional Expenditures	9,928,509	10,125,450	10,085,626	39,824
Support Services				
Student Services - Attendance				
Supervisor/Director	1,200	1,200	1,200	-
Secretary(s)	32,032	38,317	38,316	1
Social Security	2,060	2,445	2,440	5
State Retirement	3,046	3,631	9,822	(6,191)
Life Insurance	45	50	49	1
Medical	5,265	5,610	5,605	5
Dental	302	320	320	-

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance				
Medicare	481	566	571	(5)
Travel	1,200	1,700	1,628	72
Total Student Services - Attendance	45,631	53,839	59,951	(6,112)
Student Services - Health Services				
Supervisor/Director	48,467	47,117	47,117	-
Medical Personnel	86,238	101,673	95,508	6,165
Social Security	8,352	12,187	8,687	3,500
State Retirement	12,488	13,793	11,698	2,095
Life Insurance	315	360	355	5
Medical Insurance	16,365	26,070	26,052	18
Dental Insurance	1,220	1,760	1,745	15
Medicare	1,606	2,051	2,032	19
Travel	725	725	492	233
Other Contracted Services	5,000	-	-	-
Other Supplies and Materials	18,742	15,242	13,488	1,754
Other Charges	750	750	333	417
In-Service/Staff Development	6,000	11,150	11,137	13
Total Student Services - Health Services	206,268	232,878	218,644	14,234
Student Services - Other Student Support				
Career Ladder Program	2,000	2,000	2,000	-
Guidance Personnel	273,723	273,723	272,059	1,664
Secretaries	89,778	89,903	89,901	2
Social Security	22,662	22,662	21,825	837
State Retirement	26,024	26,024	25,676	348
Life Insurance	765	785	783	2
Medical Insurance	63,417	59,732	58,080	1,652
Dental Insurance	3,958	3,958	3,564	394
Medicare	5,300	5,300	5,161	139
Evaluation and Testing	6,000	15,500	15,307	193
Other Charges	6,000	6,000	6,000	-
Total Student Services - Other Student Support	499,627	505,587	500,356	5,231
Total Student Services Support Services	751,526	792,304	778,951	13,353

(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, 2010

	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	113,576	118,076	118,060	16
Career Ladder Program	9,000	11,000	11,000	-
Librarians	227,295	227,295	227,295	-
Secretary	8,000	8,000	7,696	304
Social Security	24,889	25,013	23,307	1,706
State Retirement	26,001	26,379	26,373	6
Life Insurance	686	686	686	-
Medical Insurance	57,859	60,909	58,810	2,099
Dental Insurance	2,713	3,038	2,863	175
Medicare	5,823	5,852	5,451	401
Maintenance and Repair - Equipment	5,900	5,900	5,900	-
Travel	150	400	391	9
Library Books/Media	36,700	36,700	36,700	-
Other Supplies and Materials	500	500	452	48
In-Service/Staff Development	13,100	13,100	2,873	10,227
Other Charges	1,500	1,500	852	648
Education Media Personnel	43,561	43,561	43,561	-
Total Instructional Staff Services - Regular Instruction	577,253	587,909	572,270	15,639
Instructional Staff Services - Special Education				
Supervisor/Director	54,256	54,256	54,256	-
Career Ladder Program	2,000	-	-	-
Secretaries	24,000	24,000	23,088	912
Social Security	4,977	4,853	4,753	100
State Retirement	5,837	5,709	11,851	(6,142)
Life Insurance	113	113	101	12
Medical Insurance	11,837	10,837	10,474	363
Dental Insurance	831	831	701	130
Medicare	1,164	1,135	1,112	23
Maintenance and Repair - Equipment	500	500	-	500
Travel	1,500	2,500	1,883	617
In-Service/Staff Development	3,300	3,500	3,440	60
Other Charges	250	250	219	31
Total Instructional Staff Services - Special Education	110,565	108,484	111,878	(3,394)

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Instructional Staff (Continued)				
Instructional Staff Services - Vocational Education				
Supervisor/Director	29,576	29,576	29,576	-
Career Ladder Program	1,800	1,800	1,800	-
Secretaries	19,858	19,858	19,858	-
Social Security	1,231	1,231	1,231	-
State Retirement	1,841	1,841	1,841	-
Life Insurance	45	45	45	-
Medical Insurance	8,496	8,496	8,300	196
Dental Insurance	607	607	590	17
Medicare	743	743	743	-
In-Service/Staff Development	3,700	3,700	-	3,700
Total Instructional Staff Services - Vocational Education	67,897	67,897	63,984	3,913
 Total Instructional Staff Support Services	 755,715	 764,290	 748,132	 16,158
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	8,000	36,000	32,641	3,359
Medicare	17	17	17	-
Audit Services	22,600	22,600	22,600	-
Dues and Memberships	7,000	7,490	7,490	-
Legal Services	27,000	82,000	67,831	14,169
Other Contracted Services	2,000	2,000	2,000	-
Liability Insurance	26,397	26,397	26,371	26
Premium on Corporate Surety Bonds	1,500	1,500	1,328	172
Trustee Commissions	65,000	65,000	52,805	12,195
Workers' Compensation	90,500	81,500	80,334	1,166
In-Service/Staff Development	7,750	8,250	7,976	274
Other Charges	2,000	2,000	722	1,278
Total General Admin. Serv. Board of Education	261,149	336,139	303,499	32,640
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	85,905	90,205	90,200	5
Career Ladder Program	1,000	1,000	500	500

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	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	29,037	29,037	29,037	-
Social Security	9,860	10,060	10,003	57
State Retirement	12,129	12,429	16,745	(4,316)
Life Insurance	180	180	180	-
Medical Insurance	18,973	18,473	18,445	28
Dental Insurance	907	907	885	22
Medicare	2,306	2,356	2,339	17
Advertising	2,500	3,500	2,716	784
Communication	33,000	29,600	28,962	638
Dues and Memberships	1,500	1,900	1,893	7
Postal Charges	6,000	12,745	11,259	1,486
Printing, Stationery and Forms	750	1,050	819	231
Travel	450	450	184	266
Other Contracted Services	6,500	6,500	4,889	1,611
Office Supplies	5,500	5,500	6,505	(1,005)
In-Service/Staff Development	3,400	3,400	2,016	1,384
Other Charges	6,475	6,475	4,328	2,147
Other Salaries and Wages	4,800	4,800	4,800	-
Total General Admin. Serv. Office of the Superintendent	269,465	278,860	274,998	3,862
Total General Administrative Support Services	530,614	614,999	578,497	36,502
School Administrative				
School Administrative Services - Office of the Principal				
Principals	310,009	311,509	311,497	12
Career Ladder Program	12,000	10,500	10,500	-
Assistant Principals	226,731	229,656	228,405	1,251
Secretaries	108,010	108,010	107,932	78
Other Salaries and Wages	9,649	12,449	12,433	16
Social Security	41,317	41,317	39,634	1,683
State Retirement	45,590	45,815	53,188	(7,373)
Life Insurance	1,080	1,080	1,080	-
Medical Insurance	92,570	91,464	91,024	440
Dental Insurance	4,572	4,572	4,375	197
Medicare	9,662	9,662	9,269	393
Communication	25,691	25,691	25,691	-
Travel	2,000	2,075	1,444	631
Office Supplies	17,225	17,225	17,225	-
In-Service/Staff Development	2,000	2,817	2,293	524
Total School Admin. Serv. Office of the Principal	908,106	913,842	915,990	(2,148)
Total School Administrative Support Services	908,106	913,842	915,990	(2,148)

(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, 2010

	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	65,803	65,803	65,803	-
Accountants/Bookkeepers	69,493	70,893	70,870	23
Secretaries	32,032	32,032	32,032	-
Social Security	10,374	10,374	10,335	39
State Retirement	13,363	13,788	15,660	(1,872)
Life Insurance	225	225	225	-
Medical Insurance	21,550	21,550	21,136	414
Dental Insurance	1,209	1,209	1,180	29
Medicare	2,426	2,426	2,417	9
Data Processing Services	4,940	4,940	4,935	5
Dues and Subscriptions	75	75	25	50
Travel	150	150	-	150
Data Processing Supplies	500	500	383	117
Office Supplies	3,500	5,000	3,783	1,217
In-Service/Staff Development	3,500	2,000	445	1,555
Other Charges	1,000	1,000	677	323
Total Bus. Admin. Serv. - Fiscal Services	230,140	231,965	229,906	2,059
Operation and Maintenance - Operation of Plant				
Operation and Maintenance				
Supervisor/Director	26,790	26,790	26,790	-
Custodial Personnel	256,969	256,969	249,614	7,355
Social Security	17,589	17,589	16,940	649
State Retirement	26,301	26,301	39,376	(13,075)
Life Insurance	855	855	851	4
Medical Insurance	110,995	111,395	105,348	6,047
Dental Insurance	6,093	6,118	5,825	293
Medicare	4,116	4,116	3,983	133
Other Contracted Services	50,000	52,500	49,164	3,336
Custodial Supplies	30,000	30,600	30,381	219
Electricity	415,000	390,000	384,041	5,959
Natural Gas	185,000	125,000	117,760	7,240
Water and Sewer	25,000	32,500	29,993	2,507
Boiler Insurance	4,040	4,040	4,034	6
Building and Contents Insurance	73,580	73,580	73,498	82
Other Charges	5,000	9,080	8,815	265
Total Oper. & Maint. - Operation of Plant	1,237,328	1,167,433	1,146,413	21,020

(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, 2010

	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	37,960	37,960	-
Maintenance Personnel	143,020	143,020	136,115	6,905
Social Security	11,221	11,221	10,313	908
State Retirement	16,777	16,777	16,092	685
Life Insurance	225	225	225	-
Medical Insurance	30,785	30,785	30,194	591
Dental Insurance	1,512	1,512	1,475	37
Medicare	2,624	2,624	2,412	212
Laundry Service	2,500	3,000	2,227	773
Maintenance and Repair - Buildings	145,000	190,000	194,765	(4,765)
Maintenance and Repair - Equipment	1,800	3,800	3,188	612
Maintenance and Repair - Vehicles	2,000	2,500	2,303	197
Other Contracted Services	38,000	50,293	49,138	1,155
In-service/Staff Development	250	250	139	111
Total Oper. & Maint. - Maintenance of Plant	433,674	493,967	486,546	7,421
Total Operation and Maintenance Support Services	1,671,002	1,661,400	1,632,959	28,441
Student Transportation				
Supervisor/Director	2,500	2,500	2,500	-
Mechanics	7,500	13,300	13,294	6
Bus Drivers	61,652	63,302	62,061	1,241
Other Salaries and Wages	2,500	5,800	4,116	1,684
Social Security	4,597	4,897	4,562	335
State Retirement	6,376	7,701	9,388	(1,687)
Life Insurance	292	292	292	-
Medical Insurance	37,405	37,405	36,456	949
Dental Insurance	1,980	1,980	1,917	63
Medicare	1,075	1,175	1,087	88
Maintenance and Repair - Vehicles	5,000	5,000	475	4,525
Medical and Dental Services	2,000	2,000	1,676	324
Diesel Fuel	30,000	30,000	27,519	2,481
Gasoline	9,000	9,000	7,536	1,464
Tires and Tubes	4,000	5,000	4,962	38
Vehicle Parts	9,000	9,000	8,181	819
Vehicle Insurance	22,750	22,750	22,693	57
In-service/Staff Development	700	1,200	935	265
Other Charges	1,500	1,500	980	520
Total Student Transportation Support Services	209,827	223,802	210,630	13,172

(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, 2010

	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	68,952	68,952	68,952	-
Social Security	7,527	7,527	7,526	1
State Retirement	9,760	9,760	11,926	(2,166)
Life Insurance	180	180	180	-
Medical Insurance	17,768	18,318	17,968	350
Dental Insurance	907	907	885	22
Medicare	1,761	1,761	1,760	1
Maintenance and Repair - Equipment	24,000	26,050	25,848	202
Travel	1,600	1,850	1,830	20
Other Contracted Services	56,500	58,975	46,954	12,021
Data Processing Supplies	4,000	14,000	10,073	3,927
Other Supplies and Materials	3,000	3,000	2,315	685
In-Service/Staff Development	2,000	2,000	1,594	406
Data Processing Equipment	12,500	20,500	18,391	2,109
Total Central Services Support Services	262,912	286,237	268,659	17,578
Total Support Services	5,319,842	5,488,839	5,363,724	125,115
Food Service				
Clerical Personnel	32,032	32,657	32,648	9
Social Security	1,986	2,001	1,999	2
State Retirement	2,969	3,029	3,026	3
Medicare	464	474	468	6
Total Food Service	37,451	38,161	38,141	20
Community Services				
Supervisor/Director	34,500	34,115	34,115	-
Other Salaries and Wages	107,000	94,050	93,932	118
Social Security	8,750	7,950	7,924	26
State Retirement	5,335	3,635	3,418	217
Life Insurance	90	90	90	-
Medical Insurance	5,250	5,250	5,166	84
Dental Insurance	300	300	295	5
Medicare	2,025	1,875	1,853	22
Travel	750	750	597	153
Food Supplies	7,000	5,400	5,258	142

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Community Services (Continued)				
Other Supplies and Materials	6,825	3,310	3,306	4
Other Charges	4,000	4,000	4,041	(41)
Other Equipment	2,000	-	-	-
Total Community Services	<u>183,825</u>	<u>160,725</u>	<u>159,995</u>	<u>730</u>
Early Childhood Education				
Supervisor/Director	56,202	56,202	56,202	-
Teachers	84,914	88,759	88,756	3
Secretary(s)	14,362	14,107	14,105	2
Bus Drivers	13,819	13,899	13,899	-
Educational Assistants	51,937	51,252	51,250	2
Custodian	11,664	12,019	12,015	4
Social Security	14,440	14,440	14,411	29
State Retirement	17,568	17,608	17,597	11
Life Insurance	585	600	599	1
Medical Insurance	56,904	56,134	56,133	1
Dental Insurance	3,124	3,099	3,097	2
Employer Medicare	3,377	3,377	3,370	7
Communication	4,000	4,270	4,270	-
Other Contracted Services	45,460	45,460	45,525	(65)
Instructional Supplies	4,000	3,230	3,227	3
Total Early Childhood Education	<u>382,356</u>	<u>384,456</u>	<u>384,456</u>	<u>0</u>
Capital Outlay - Regular				
Architects	100,000	135,000	134,454	546
Building Improvements	2,650,000	2,463,028	2,285,545	177,483
Building Construction	3,000,000	2,150,000	2,251,667	(101,667)
Transportation	-	77,610	77,610	-
Total Capital Outlay	<u>5,750,000</u>	<u>4,825,638</u>	<u>4,749,276</u>	<u>76,362</u>
Total Expenditures	<u>21,601,983</u>	<u>21,023,269</u>	<u>20,781,218</u>	<u>242,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(38,075)</u>	<u>(312,673)</u>	<u>(43,981)</u>	<u>268,692</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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES				
Transfer	32,000	25,500	25,500	-
Total Other Financing Sources	32,000	25,500	25,500	0
NET CHANGE IN FUND BALANCE	(6,075)	(287,173)	(18,481)	268,692
FUND BALANCE, JULY 1, 2009	1,114,559	1,114,559	1,114,559	-
FUND BALANCE, JUNE 30, 2010	\$ 1,108,484	827,386	1,096,078	268,692

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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
Title I	\$ 1,430,303	873,445	860,814	(12,631)
Title I - ARRA	-	558,472	292,407	(266,065)
Title II	147,622	162,808	121,492	(41,316)
Title X	28,456	18,570	16,398	(2,172)
Title X - ARRA	-	3,456	25	(3,431)
Special Education (IDEA)	918,379	514,279	429,454	(84,825)
Special Education (IDEA) - ARRA	-	459,731	269,223	(190,508)
Special Education (Preschool)	29,936	10,817	10,817	-
Special Education (Preschool) - ARRA	-	8,303	1,945	(6,358)
Vocational Education	46,392	47,446	47,446	-
Safe and Drug-Free Schools	9,516	11,811	11,811	-
Vocational Rehab	21,469	21,469	21,469	-
<b>TOTAL REVENUES</b>	<b>2,632,073</b>	<b>2,690,607</b>	<b>2,083,301</b>	<b>(607,306)</b>
<b>EXPENDITURES</b>				
Instruction				
Instruction - Regular Instruction				
Teachers	408,675	344,755	344,750	5
Educational Assistants	301,043	242,998	242,902	96
Other Salaries and Wages	16,275	10,215	9,325	890
Social Security	44,963	34,697	34,217	480
State Retirement	54,556	45,317	44,907	410
Life Insurance	2,115	1,620	1,634	(14)
Medical Insurance	199,279	151,723	150,242	1,481
Dental Insurance	10,793	8,292	7,939	353
Medicare	10,515	8,757	8,114	643
Other Contracted Services	40,963	-	-	-
Instructional Supplies and Materials	65,293	87,515	87,431	84
Other Charges	22,000	11,500	11,302	198
Furniture and Fixtures	-	2,700	2,669	31
Regular Instruction Equipment	42,000	20,500	20,419	81
Total Instruction - Regular Instruction	<b>1,218,470</b>	<b>970,589</b>	<b>965,851</b>	<b>4,738</b>
Instruction - Special Education				
Teachers	133,002	63,850	53,721	10,129
Educational Assistants	295,093	312,793	264,224	48,569
Speech Pathologist	81,442	40,000	32,792	7,208
Other Salaries & Wages	-	1,600	-	1,600
Social Security	28,445	24,751	19,551	5,200
State Retirement	33,692	34,250	27,663	6,587
Life Insurance	1,260	1,311	1,111	200
Medical Insurance	143,825	138,691	117,593	21,098
Dental Insurance	7,972	7,896	6,341	1,555
Medicare	7,756	6,434	4,885	1,549
Instructional Supplies	6,835	24,460	20,222	4,238
Special Education Equipment	65,000	60,000	37,880	22,120
Other Supplies & Materials	19,421	152,072	-	152,072
Other Contracted Services	20,100	16,550	11,550	5,000
Total Instruction - Special Education	<b>843,843</b>	<b>884,658</b>	<b>597,533</b>	<b>287,125</b>

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Vocational Education				
Other Supplies and Materials	5,750	4,340	4,341	(1)
Vocational Instruction Equipment	25,514	31,634	31,640	(6)
Total Instruction - Vocational Education	31,264	35,974	35,981	(7)
 Total Instructional Expenditures	 2,093,577	 1,891,221	 1,599,365	 291,856
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	67,445	68,860	68,859	1
Secretary	32,032	32,032	32,032	-
Other Salaries and Wages	20,106	20,106	12,106	8,000
Social Security	7,415	7,180	6,681	499
State Retirement	9,736	7,921	7,405	516
Life Insurance	135	135	135	-
Medical Insurance	11,580	10,950	10,950	-
Dental Insurance	605	590	590	-
Employer Medicare	1,734	1,679	1,562	117
Travel	3,000	24,545	4,604	19,941
Other Contracted Services	22,709	17,708	17,759	(51)
Other Supplies and Materials	16,000	3,465	3,467	(2)
In-Service/Staff Development	112,837	83,595	79,031	4,564
Other Charges	38,300	2,500	-	2,500
Furniture and Fixtures	9,000	700	654	46
Other Equipment	22,503	12,205	12,203	2
Total Instructional Staff Services - Reg Instruction	375,137	294,171	258,038	36,133
Support Services - Student Transportation				
Bus Drivers	8,900	8,900	8,900	-
Other Salaries and Wages	1,720	1,480	1,480	-
Social Security	657	605	552	53
State Retirement	985	962	962	-
Life Insurance	45	45	45	-
Dental Insurance	305	305	295	10
Medicare	160	148	129	19
Capital Outlay	86,212	86,212	86,212	-
Total Support Services Student Transportation	98,984	98,657	98,575	82

(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, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Other Services				
Health Services	-	14,978	14,976	2
Other Student Support	22,675	345,765	65,600	280,165
Special Education Support	7,500	11,500	10,901	599
Vocational Support	2,200	2,315	2,314	1
Total Other Services	<u>32,375</u>	<u>374,558</u>	<u>93,791</u>	<u>280,767</u>
Total Support Services	<u>506,496</u>	<u>767,386</u>	<u>450,404</u>	<u>316,982</u>
TOTAL EXPENDITURES	<u>2,600,073</u>	<u>2,658,607</u>	<u>2,049,769</u>	<u>608,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,000</u>	<u>32,000</u>	<u>33,532</u>	<u>1,532</u>
Other Financing Sources (Uses)				
Transfers In	176,828	177,478	177,472	(6)
Transfers Out	<u>(208,828)</u>	<u>(209,478)</u>	<u>(202,972)</u>	<u>6,506</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(25,500)</u>	<u>6,500</u>
NET CHANGE IN FUND BALANCE	0	0	8,032	8,032
FUND BALANCE, JULY 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>8,032</u>	<u>8,032</u>

See accompanying notes to the financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL NUTRITION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 303,000	371,750	371,703	(47)
USDA Breakfast Claims	98,000	114,000	113,972	(28)
USDA Equipment - ARRA	-	7,000	6,997	(3)
Snack Reimbursement	9,500	6,650	6,634	(16)
Commodities	-	-	53,414	53,414
State Matching	9,000	9,000	22,672	13,672
Total Intergovernmental Revenues	419,500	508,400	575,392	66,992
Charges for Services				
Meal Payment - Children	295,000	274,325	274,305	(20)
Meal Payment - Adults	27,000	25,200	25,132	(68)
Income from Breakfast	2,200	2,915	2,909	(6)
A La Carte Sales	70,500	56,150	56,139	(11)
Other Charges for Services	11,500	9,675	9,659	(16)
Total Charges for Services	406,200	368,265	368,144	(121)
Investment Earnings	4,000	1,800	1,782	(18)
<b>TOTAL REVENUES</b>	<b>829,700</b>	<b>878,465</b>	<b>945,318</b>	<b>66,853</b>
<b>EXPENDITURES</b>				
Food Services				
Supervisor/Director	36,442	36,442	36,442	-
Cafeteria Personnel	260,102	260,102	251,089	9,013
Other Salaries and Wages	5,500	5,500	4,056	1,444
Social Security	18,601	18,601	17,498	1,103
State Retirement	24,873	24,873	38,310	(13,437)
Life Insurance	900	900	895	5
Medical Insurance	125,880	125,880	117,630	8,250
Dental Insurance	6,522	6,522	6,293	229
Medicare	4,351	4,351	4,095	256
Communication	650	1,150	835	315
Maintenance/Repair - Equipment	5,000	12,000	6,984	5,016
Transportation	3,750	7,750	5,424	2,326
Travel	50	50	-	50
Food Supplies	304,429	322,594	357,332	(34,738)
Office Supplies	1,250	1,250	1,167	83
Other Supplies and Materials	23,000	23,000	21,892	1,108
In-Service/Staff Development	900	1,000	928	72
Other Charges	6,000	10,000	6,403	3,597
Equipment	1,500	10,273	2,930	7,343
Capital Outlay	-	6,227	6,227	-
<b>TOTAL EXPENDITURES</b>	<b>829,700</b>	<b>878,465</b>	<b>886,430</b>	<b>(7,965)</b>

(Continued)

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL NUTRITION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	58,888	58,888
FUND BALANCE, JULY 1, 2009	201,612	201,612	201,612	-
FUND BALANCE, JUNE 30, 2010	<u>\$ 201,612</u>	<u>201,612</u>	<u>260,500</u>	<u>58,888</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, 2010

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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, 2010

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

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

Assets, Liabilities, and Net 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, 2010

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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.

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, 2010

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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 fiscal year. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual include original and final amended budget amounts. The budgets were legally adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations in the total School Administrative Support Services category within the General Purpose School Fund by \$2,148. In addition, total expenditures exceeded appropriations by \$7,965 in the School Nutrition Fund.

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, 2010

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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 fiscal year end, the School's carrying amount of deposits was \$1,015,332 and the bank balance was \$1,444,108.

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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	\$ 19,794	-	-	19,794
Due from Other Governments				
Federal and State	813,821	195,110	6,951	1,015,882
Carter County, Tax Allocation	<u>2,059,952</u>	<u>-</u>	<u>-</u>	<u>2,059,952</u>
Total Receivables	<u>\$ 2,893,567</u>	<u>195,110</u>	<u>6,951</u>	<u>3,095,628</u>

Interfund balances represent a transfer of funds at year-end from the General Purpose School Fund to the School Federal Projects Fund in the amount of \$5,000.

Transfers from the School Federal Projects Fund to the General Purpose School Fund in the amount of \$25,500 represents approved indirect costs from the Title I Program. Within the School Federal Projects Fund are transfers from one federal grant program to another which represents the Consolidated Administration costs.

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	\$ -	1,851,952
Property tax levied but not collected in period of availability	<u>169,811</u>	<u>-</u>
	<u>\$ 169,811</u>	<u>1,851,952</u>

On the fund financial statement level, deferred revenue is \$2,021,763 for the current fiscal year.

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NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 216,170	-	-	216,170
Construction in Progress	255,706	2,370,157	(115,008)	2,510,855
Total Capital Assets, Not Being Depreciated	471,876	2,370,157	(115,008)	2,727,025
Capital Assets, Being Depreciated				
Buildings	15,445,954	2,416,517	-	17,862,471
Equipment	970,055	170,049	(23,087)	1,117,017
Total Capital Assets, Being Depreciated	16,416,009	2,586,566	(23,087)	18,979,488
Less Accumulated Depreciation For:				
Buildings	(7,948,110)	(356,086)	-	(8,304,196)
Equipment	(598,800)	(49,702)	21,933	(626,569)
Total Accumulated Depreciation	(8,546,910)	(405,788)	21,933	(8,930,765)
Total Capital Assets, Being Depreciated, Net	7,869,099	2,180,778	(1,154)	10,048,723
Total Capital Assets, Net	\$ 8,340,975	4,550,935	(116,162)	12,775,748

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 fiscal year ended June 30, 2010:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 36,511	2,865	5,269	34,107	5,269
Governmental Activities					
Long Term Liabilities	\$ 36,511	2,865	5,269	34,107	5,269

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. Subsequent to year-end, the parties have agreed to a settlement with the school system's portion being \$50,000 plus court costs.. The School System has accrued a liability of \$50,000 for attorney fees, which is reflected in the General Purpose School Fund.

The Board of Education has a contract on-going for renovations and construction/repairs at one school. This includes a contract for \$2,091,000 for school renovations of which \$91,990 had been expended during the fiscal year.

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

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, 2010 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  
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NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2010, Elizabethton, Tennessee City School's annual pension cost of \$228,582 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, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2010	\$228,582	100.00%	\$0.00
June 30, 2009	\$214,097	100.00%	\$0.00
June 30, 2008	\$208,890	100.00%	\$0.00

As of July 1, 2009, the most recent actuarial valuation date, the plan was 86.02% percent funded. The actuarial accrued liability for benefits was \$6.61 million, and the actuarial value of assets was \$5.68 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.92 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.27 million, and the ratio of the UAAL to the covered payroll was 40.73% 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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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, 2009	\$5,684	\$6,607	\$924	86.02%	\$2,268	40.73%
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 previous year, and therefore only two years are 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  
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NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2010

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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/Schools](http://www.tn.gov/treasury/tcrs/Schools).

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, 2010 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 fiscal years ending June 30, 2010, 2009, and 2008 were \$570,804, \$545,446, and \$502,459, 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. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

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

POST-EMPLOYMENT HEALTHCARE PLAN (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.

	07/01/2009 - 06/30/2010
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 723,000
2. Interest on net OPEB Obligation	27,495
3. Adjustment to ARC	(26,043)
4. Annual OPEB Cost (Expense) (1+2+3)	724,452
5. Contribution made (assumed end of year)*	117,750
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	606,702
7. Net OPEB Obligation - beginning of year	611,000
8. Net OPEB Obligation - end of year (6 + 7)	\$ 1,217,702

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

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

POST-EMPLOYMENT HEALTHCARE PLAN (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>
6/30/2010	Teacher & Local Government	\$ 724,452	50.3%	\$ 1,217,702
6/30/2009	Teacher & Local Government	\$ 733,000	58.3%	\$ 611,000

*Data not available for preceding year.*

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

Actuarial Valuation Date	July 1, 2009
Actuarial Accrued Liability (AAL)	\$ 5,589,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	5,589,000
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	11,584,000
UAAL as a Percentage of Covered Payroll	48%

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, 2010

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NOTE 4 - OTHER INFORMATION (CONTINUED)

POST-EMPLOYMENT HEALTHCARE PLAN (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 \$139,608.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

During the year, a government-wide prior period adjustment was necessary to properly reflect the OPEB liability. A prior period adjustment in the amount of \$508,059 was made to the beginning net assets as reflected on the Statement of Activities.

## REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
 (A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHEDULE OF FUNDING PROGRESS  
 For the Fiscal Year Ended June 30, 2010

(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, 2009	\$5,684	\$6,607	\$924	86.02%	\$2,268	40.73%
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 previous year and therefore only two years are 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  
PENSIONS  
For the Fiscal Year Ended June 30, 2010

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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, 2009	\$0	\$5,589,000	\$5,589,000	0.00%	11,584,000	48.25%
July 1, 2007	\$0	\$5,515,000	\$5,515,000	0.00%	11,225,500	49.13%

Note: Information was not available for prior years .

See Independent Auditors' Report.

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<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:						
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants - Recovery Act	U.S. Department of Education	-	362,600	362,600	-
84.397	ARRA - State Fiscal Stabilization Fund - Government Services - Recovery Act:	U.S. Department of Education				
84.397	ARRA - Internet Connectivity - Recovery Act	U.S. Department of Education	-	5,913	5,913	-
84.397	ARRA - Coordinated School Health Recovery Act	U.S. Department of Education	-	51,448	85,000	(33,552) *
84.397	ARRA - State Wide Student Managment System - Recovery Act	U.S. Department of Education	-	5,146	5,146	-
84.397	ARRA - Safe Schools - Recovery Act	U.S. Department of Education	-	1,020	6,000	(4,980) *
	Total State Fiscal Stabilization Fund		0	63,527	102,059	(38,532)
Total General Purpose School Fund			69	426,127	464,728	(38,532)

\* Receivable

\*\* Unused Revenue

(Continued)



ELIZABETHTON, TENNESSEE CITY SCHOOLS  
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<u>School Federal Projects Fund:</u>						
Pass Through State of Tennessee:						
84.048	Career and Technical Education Vocational Improvements)	U.S. Department of Education	(14,062)	14,062	-	-
84.048	Carl Perkins (Technology Prep)	U.S. Department of Education	-	1,054	1,054	-
84.048	Carl Perkins (CTE Program Improvements)	U.S. Department of Education	-	41,378	46,392	(5,014) *
	Total Carl Perkins		<u>(14,062)</u>	<u>56,494</u>	<u>47,446</u>	<u>(5,014)</u>
84.186	Title IVA Drug Free Schools	U.S. Department of Education	<u>(3,095)</u>	<u>7,914</u>	<u>11,811</u>	<u>(6,992) *</u>
84.391	ARRA - IDEA, Part B, Recovery Act	U.S. Department of Education	-	263,922	269,223	(5,301) *
84.027	IDEA, Part B	U.S. Department of Education	-	405,582	429,454	(23,872) *
84.392	ARRA - IDEA, Preschool, Recovery Act	U.S. Department of Education	-	-	1,945	(1,945) *
84.173	IDEA, Preschool	U.S. Department of Education	-	10,817	10,817	-
	Total IDEA		<u>0</u>	<u>680,321</u>	<u>711,439</u>	<u>(31,118)</u>
* 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, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<u>School Federal Projects Fund (Continued):</u>						
Pass Through State of Tennessee (Continued):						
84.387	ARRA - Title X McKinney Vento-Homeless Recovery Act)	U.S. Department of Education	-	25	25	-
84.196	Title X McKinney Vento-Homeless Total Title X	U.S. Department of Education	(20,083)	20,083	16,398	(16,398) *
			(20,083)	20,108	16,423	(16,398)
84.010	Title I, Project	U.S. Department of Education	(43,357)	844,682	860,814	(59,489) *
84.389	ARRA - Title I, Project, Recovery Act Total Title I	U.S. Department of Education	-	279,851	292,407	(12,556) *
			(43,357)	1,124,533	1,153,221	(72,045)
84.048	Title II, Part A	U.S. Department of Education	(20,518)	76,943	108,912	(52,487) *
84.048	Title II, Part D Total Title II	U.S. Department of Education	-	4,800	12,580	(7,780) *
			(20,518)	81,743	121,492	(60,267)
Pass Through State of Tennessee						
84.126	Vocational Rehabilitation GG-08-22046	Department of Human Services	(4,058)	22,251	21,469	(3,276) *
Pass Through Tennessee Department of Human Services						
Total School Federal Projects Fund			(105,173)	1,993,364	2,083,301	(195,110)

\* 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, 2010

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<u>School Nutrition Fund:</u>						
Pass Through State of Tennessee:						
10.533	National School Breakfast Program	U.S. Department of Agriculture	(974)	114,181	113,973	(766) *
10.555	National School Lunch Program	U.S. Department of Agriculture	(2,092)	367,610	371,703	(6,185) *
10.555	National Snack Reimbursement	U.S. Department of Agriculture	(804)	7,437	6,633	-
10.579	ARRA - Child Nutrition - Recovery Act	U.S. Department of Agriculture	-	6,997	6,997	-
Pass Through TN Department of Agriculture						
10.550	USDA: Commodity Supplemental Feeding- Commodities Distributed	Tennessee Department of Agriculture	-	53,414	53,414	-
Total School Nutrition Fund			(3,870)	549,639	552,720	(6,951)
TOTAL FEDERAL GRANTS			\$ (108,974)	2,969,130	3,100,749	(240,593)

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, 2010

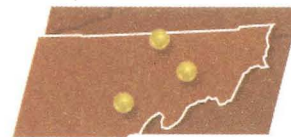
CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2009	Cash Receipts	Expenditures	Balance June 30, 2010
<u>General Purpose School Fund:</u>						
N/A	Early Childhood Grant - Pilot	Tennessee Department of Education	\$ (94,179)	94,179	-	-
N/A	Coordinated School Health	Tennessee Department of Education	(47,002)	47,002	-	-
N/A	Early Childhood Grant	Tennessee Department of Education	-	254,239	384,456	(130,217) *
N/A	Early Childhood Grant - Lottery	Tennessee Department of Education	(42,061)	42,061	-	-
N/A	Safe Schools Act	Tennessee Department of Education	(5,092)	8,185	3,093	-
N/A	Internet Connectivity	Tennessee Department of Education	-	1,407	1,407	-
N/A	Basic Education Program	Tennessee Department of Education	-	8,982,400	8,982,400	-
N/A	Driver's Education	Tennessee Department of Education	(4,452)	13,139	8,687	-
N/A	Career Ladder	Tennessee Department of Education	(913)	123,591	123,249	(571) *
N/A	Extended Contract	Tennessee Department of Education	-	-	91,587	(91,587) *
Total General Purpose School Fund			(193,699)	9,566,203	9,594,879	(222,375)
<u>School Nutrition Fund:</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	8,711	8,711	-
Total School Nutrition Fund			0	8,711	8,711	0
TOTAL STATE GRANTS			\$ (193,699)	9,574,914	9,603,590	(222,375)

\* Receivable      \*\* Unused Revenue

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, a component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. 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 our opinions on the financial statements, but not 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

Page 2

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*.

We noted certain matters that we reported to management of the Elizabethton, Tennessee City Schools in a separate letter dated December 8, 2010.

This report is intended solely for the information and use of the Elizabethton, Tennessee City School's management, Board of Education and federal awarding agencies and pass through entities 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 8, 2010



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, 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, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.



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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elizabethton, Tennessee City Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 pass-through entities 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 8, 2010

ELIZABETHTON, TENNESSEE CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2010

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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. No significant deficiencies relating to the audit of the financial statements of the Elizabethton, Tennessee City Schools were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Elizabethton, Tennessee City Schools were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton, 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 ARRA - State Fiscal Stabilization Fund – Education State Grants, CFDA #84.394; ARRA-Title I CFDA #84.389; Title I CFDA #84.010; ARRA-IDEA, Part B CFDA #84.391; IDEA, Part B CFDA #84.027; ARRA-IDEA, Preschool CFDA #84.392; IDEA, Preschool CFDA #84.173; ARRA-Child Nutrition CFDA #10.550 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.