

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, 2011



ELIZABETHTON, TENNESSEE
CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
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AND SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2011

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
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For the Fiscal Year Ended June 30, 2011

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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, 2011, 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 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, 2011, 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, 2011, 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.

As described in Note 5, the Elizabethton, Tennessee City Schools has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, 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 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. The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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

November 14, 2011

ELIZABETHTON, TENNESSEE CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 11.2% over the course of the year.

- The total General Purpose fund balance increased by \$246,971 and the School Nutrition increased by \$330.
- A new hood system was placed in the Culinary Arts classroom at Elizabethton High School.
- A new network-based phone system (VOIP) was purchased and installed throughout the system.
- The School Nutrition Program purchased two steamers and replaced a walk-in freezer.
- The replacement of the T.A. Dugger fire alarm system 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, 2011

Fund Financial Statements

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

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

Financial Analysis of the Board as a Whole

Condensed Statement of Net Assets

| | <u>Governmental Activities</u> | | <u>Total %</u> |
|---------------------------------------|--------------------------------|-------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>Change</u> |
| | | | <u>2010-2011</u> |
| Current and Other Assets | \$ 4,282,352 | 4,750,926 | 10.9% |
| Capital Assets | <u>12,775,748</u> | <u>14,704,180</u> | 15.1% |
| Total Assets | <u>17,058,100</u> | <u>19,455,106</u> | 14.1% |
| Current Liabilities | 2,747,931 | 3,076,539 | 12.0% |
| Long-Term Liabilities | <u>1,251,809</u> | <u>1,852,350</u> | 48.0% |
| Total Liabilities | <u>3,999,740</u> | <u>4,928,889</u> | 23.2% |
| Net Assets Invested in Capital Assets | 12,775,748 | 14,704,180 | 15.1% |
| Unrestricted | <u>282,612</u> | <u>(177,963)</u> | -163.0% |
| Total Net Assets | <u>\$ 13,058,360</u> | <u>14,526,217</u> | 11.2% |

Net Assets

The Board's Current and Other Assets increased by 10.9% during the 2010-2011 fiscal year. This increase is mainly due to the increase of receivable for tax collections from Carter County and the increase in School Nutrition inventory. 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 2010-2011 fiscal year, local tax revenue and state BEP funds realized an additional increase due to the continued increase in student enrollment. The capital outlay project of a new fire alarm system at T.A. Dugger was completed. A new hood system was placed in the Culinary Arts classroom at Elizabethton High School. A new phone system was installed system-wide. The School Nutrition program purchased two new steamers and replaced a walk-in freezer. Construction in progress included the almost completed addition of a gymnasium and classrooms at West Side Elementary and at East Side Elementary and renovations to classrooms at Elizabethton High School.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Changes in Net Assets from Operating Results

| | <u>Governmental Activities</u> | | Total % Change <u>2010-2011</u> |
|----------------------------------|--------------------------------|-------------------|---------------------------------------|
| | <u>2010</u> | <u>2011</u> | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 685,081 | 653,022 | -4.7% |
| Operating Grants | 6,096,918 | 6,873,435 | 12.7% |
| Capital Grants and Contributions | 4,573,663 | 2,165,917 | -52.6% |
| General Revenues | | | |
| Property Taxes | 1,915,756 | 1,970,970 | 2.9% |
| Other Taxes | 1,391,775 | 1,767,472 | 27.0% |
| State Revenues | 9,105,649 | 8,974,371 | -1.4% |
| Other | 26,794 | 39,375 | 47.0% |
| Total Revenues | <u>23,795,636</u> | <u>22,444,562</u> | -5.7% |
| Expenses | | | |
| Instruction | 12,105,348 | 12,757,345 | 5.4% |
| Student Services | 798,877 | 879,202 | 10.1% |
| Instructional Staff Services | 1,031,908 | 1,037,082 | 0.5% |
| General Administration | 593,295 | 628,680 | 6.0% |
| School Administration | 939,421 | 970,578 | 3.3% |
| Business Services | 235,787 | 265,370 | 12.5% |
| Plant Operation and Maintenance | 2,080,519 | 2,310,170 | 11.0% |
| Student Transportation | 228,697 | 243,497 | 6.5% |
| Central Services | 275,531 | 355,578 | 29.1% |
| Support Services | 96,190 | 80,358 | -16.5% |
| Food Service | 941,836 | 906,974 | -3.7% |
| Community Services | 164,088 | 137,651 | -16.1% |
| Early Childhood Education | 394,291 | 404,220 | 2.5% |
| Total Expenses | <u>19,885,788</u> | <u>20,976,705</u> | 5.5% |
| Increase in Net Assets | 3,909,848 | 1,467,857 | |
| Beginning Net Assets | <u>9,148,512</u> | <u>13,058,360</u> | |
| Ending Net Assets | <u>\$ 13,058,360</u> | <u>14,526,217</u> | |

ELIZABETHTON, TENNESSEE CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

The total cost of all programs and services rose 5.5% to \$20.9 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (73.7% 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 11.0% of total costs. The total increase of 5.5% 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 decreased by 5.7%, while total expenses increased by 5.5%. The increase in net assets for governmental activities was \$1,467,857 in 2011.

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 \$1,603,937, which were more than last year's ending fund balances of \$1,364,610. This increase is mainly due to conservative efforts to have the system ready to financially continue into the future programs that have been started with ARRA Stimulus funding.

The Board's governmental funds experienced revenues and other sources more/(less) than expenditures in 2011 as follows:

| | |
|------------------|------------|
| General Purpose | \$246,971 |
| Federal Projects | \$(7,974) |
| Child Nutrition | \$ 330 |

General Fund Budgetary Highlights

Over the course of the year, the Board revised the annual operating budget. These budget amendments fall into three categories:

- To adjust federal monies to the grants awarded
- To budget reserves and reappropriate monies to areas of need
- To increase/decrease revenues as received

Although the Board's final budget for the general fund anticipated \$19,194,662 of revenues and other sources would be received, the Board actually received \$222,844 more than anticipated. The Board budgeted \$19,435,904 of expenditures. The actual expenditures of \$19,170,535 were \$265,369 under budget.

ELIZABETHTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Capital Asset and Debt Administration

By the end of 2011, the Elizabethton City Schools had invested \$14.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an increase of \$1,928,432 or 15.1% 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 \$438,883, while building improvements and additions to equipment amounted to \$327,451.

Capital Assets (Net of Depreciation)

| | <u>Governmental Activities</u> | | Total % |
|--------------------------|--------------------------------|-------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>Change</u> |
| | | | <u>2010-2011</u> |
| Land | \$ 216,170 | 216,170 | 0.0% |
| Construction In Progress | 2,510,855 | 4,550,719 | 81.2% |
| Buildings | 9,558,275 | 9,312,997 | -2.6% |
| Equipment and Vehicles | <u>490,448</u> | <u>624,294</u> | 27.3% |
| Total Assets | <u>\$ 12,775,748</u> | <u>14,704,180</u> | 15.1% |

The Board's fiscal year 2011 capital expenditures included the completion of the installation of a new fire alarm system at T.A. Dugger Junior High, a new hood system for the Culinary Arts classroom at Elizabethton High School, a new phone system was installed system-wide, and the School Nutrition program purchased two new steamers and replaced a walk-in freezer. Construction in progress included the almost completed addition of a gymnasium and classrooms at West Side Elementary and at East Side Elementary, and renovations to classrooms at Elizabethton High School.

Factors Impacting the Future of the School System and Board

Continuing programs started with the ARRA stimulus funds, in the absence of those funds
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, 2011

| | Governmental Activities |
|---|-----------------------------|
| ASSETS | |
| Cash | \$ 951,672 |
| Accounts Receivable | 10,917 |
| Due from Other Governments | 1,291,377 |
| Due from Carter County | 2,466,018 |
| Inventories | 30,942 |
| Capital Assets Not Being Depreciated | |
| Land | 216,170 |
| Construction in Progress | 4,550,719 |
| Capital Assets, Net of Accumulated Depreciation | |
| Buildings | 9,312,997 |
| Equipment | 624,294 |
| Total Assets | <u>19,455,106</u> |
| LIABILITIES | |
| Accounts Payable | 516,222 |
| Cash Overdraft | 144,297 |
| Wages Payable | 23,835 |
| Retainage Payable | 20,000 |
| Unearned Revenues | 2,372,185 |
| Long-Term Liabilities | |
| Due within one year | 9,078 |
| OPEB Liability | 1,819,077 |
| Due within more than one year | 24,195 |
| Total Liabilities | <u>4,928,889</u> |
| NET ASSETS | |
| Invested in Capital Assets | 14,704,180 |
| Unrestricted | <u>(177,963)</u> |
| TOTAL NET ASSETS | <u><u>\$ 14,526,217</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 ACTIVITIES
For the Fiscal Year Ended June 30, 2011

| 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 | \$ 9,594,422 | 308,938 | 5,091,257 | 2,159,562 | (2,034,665) |
| Special Education | 2,119,350 | - | 656,374 | - | (1,462,976) |
| Vocational Education | 906,007 | - | 129,622 | - | (776,385) |
| Other | 137,566 | - | - | - | (137,566) |
| Total Instruction | <u>12,757,345</u> | <u>308,938</u> | <u>5,877,253</u> | <u>2,159,562</u> | <u>(4,411,592)</u> |
| Support Services | | | | | |
| Student Services | 879,202 | - | 23,662 | - | (855,540) |
| Instructional Staff | 1,037,082 | - | - | - | (1,037,082) |
| General Administrative | 628,680 | - | - | - | (628,680) |
| School Administrative | 970,578 | - | - | - | (970,578) |
| Business Administrative | 265,370 | - | - | - | (265,370) |
| Plant Operation and Maintenance | 2,310,170 | - | - | - | (2,310,170) |
| Student Transportation | 243,497 | - | - | - | (243,497) |
| Support Services | 80,358 | - | - | - | (80,358) |
| Central Services | 355,578 | - | - | - | (355,578) |
| Total Support Services | <u>6,770,515</u> | <u>0</u> | <u>23,662</u> | <u>0</u> | <u>(6,746,853)</u> |
| Food Service | 906,974 | 344,084 | 574,944 | 6,355 | 18,409 |
| Community Services | 137,651 | - | - | - | (137,651) |
| Early Childhood Education | <u>404,220</u> | <u>-</u> | <u>397,576</u> | <u>-</u> | <u>(6,644)</u> |
| Total Governmental Activities | <u>20,976,705</u> | <u>653,022</u> | <u>6,873,435</u> | <u>2,165,917</u> | <u>(11,284,331)</u> |
| General Revenues | | | | | |
| Payments from Carter County | | | | | |
| Property Taxes | | | | | 1,970,970 |
| Sales Taxes | | | | | 1,720,336 |
| Other Taxes | | | | | 47,136 |
| Other Local Governments | | | | | 2,869 |
| State Aid | | | | | 8,974,371 |
| Unrestricted Investment Earnings | | | | | 16,970 |
| Miscellaneous | | | | | 1,400 |
| Contributions and Donations not Restricted to Specific Programs | | | | | <u>18,136</u> |
| Total General Revenues | | | | | <u>12,752,188</u> |
| Change in Net Assets | | | | | 1,467,857 |
| Net Assets - Beginning | | | | | <u>13,058,360</u> |
| Net Assets - Ending | | | | | <u>\$ 14,526,217</u> |

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

| | General Purpose School Fund | School Federal Projects Fund | School Nutrition Fund | Total Governmental Funds |
|--|--------------------------------|---------------------------------|--------------------------|--------------------------------|
| ASSETS | | | | |
| Cash in Bank | \$ 701,330 | - | 250,342 | 951,672 |
| Accounts Receivable | 10,704 | - | 213 | 10,917 |
| Due from Other Governments | 1,089,447 | 195,575 | 6,355 | 1,291,377 |
| Due from Carter County | 2,466,018 | - | - | 2,466,018 |
| Inventories | - | - | 30,942 | 30,942 |
| Total Assets | <u>\$ 4,267,499</u> | <u>195,575</u> | <u>287,852</u> | <u>4,750,926</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Cash Overdraft | \$ - | 144,297 | - | 144,297 |
| Accounts Payable | 439,673 | 51,220 | 25,329 | 516,222 |
| Wages Payable | 22,142 | - | 1,693 | 23,835 |
| Deferred Revenue | 2,442,635 | - | - | 2,442,635 |
| Retainage Payable | 20,000 | - | - | 20,000 |
| Total Liabilities | <u>2,924,450</u> | <u>195,517</u> | <u>27,022</u> | <u>3,146,989</u> |
| FUND BALANCES | | | | |
| Non-Spendable: | | | | |
| Inventories | - | - | 30,942 | 30,942 |
| Restricted for: | | | | |
| Education | 223,066 | 58 | - | 223,124 |
| Operations of Noninstructional Program | - | - | 229,888 | 229,888 |
| Assigned to: | | | | |
| Community Involvement | 6,496 | - | - | 6,496 |
| High Excess Cost Students | 8,370 | - | - | 8,370 |
| Technology | 57,398 | - | - | 57,398 |
| Bus | 89,904 | - | - | 89,904 |
| Energy Controls | 33,230 | - | - | 33,230 |
| Flight Simulator | 1,500 | - | - | 1,500 |
| Early Learning Center | 3,943 | - | - | 3,943 |
| Unassigned | 919,142 | - | - | 919,142 |
| Total Fund Balances | <u>1,343,049</u> | <u>58</u> | <u>260,830</u> | <u>1,603,937</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u><u>\$ 4,267,499</u></u> | <u><u>195,575</u></u> | <u><u>287,852</u></u> | <u><u>4,750,926</u></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, 2011

| | |
|---|-----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,603,937 |
| 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 \$24,073,828 and the accumulated depreciation is \$(9,369,648). | 14,704,180 |
| Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds. | 70,450 |
| OPEB benefits represent liabilities of the School System that are not recorded at the fund level. | (1,819,077) |
| 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>(33,273)</u> |
| Total Net Assets - Governmental Activities | <u><u>\$ 14,526,217</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, 2011

| | General Purpose School Fund | School Federal Projects Fund | School Nutrition Fund | Total Governmental Funds |
|--|--------------------------------|---------------------------------|--------------------------|--------------------------------|
| REVENUES | | | | |
| Payments from County and City | \$ 8,327,211 | - | - | 8,327,211 |
| Revenue from State of Tennessee | 9,606,918 | - | 21,779 | 9,628,697 |
| Revenue from Federal Government | 15,162 | 1,732,694 | 553,165 | 2,301,021 |
| Revenue from Federal Government - ARRA | 1,111,227 | 466,361 | 6,355 | 1,583,943 |
| Charges for Services | 308,938 | - | 344,084 | 653,022 |
| Investment Earnings | 14,991 | - | 1,979 | 16,970 |
| Other | 33,059 | - | - | 33,059 |
| Total Revenues | <u>19,417,506</u> | <u>2,199,055</u> | <u>927,362</u> | <u>22,543,923</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular Instruction | 8,148,208 | 1,132,982 | - | 9,281,190 |
| Special Education | 1,446,017 | 617,692 | - | 2,063,709 |
| Vocational Education | 764,963 | 117,258 | - | 882,221 |
| Student Body | 133,954 | - | - | 133,954 |
| Support Services | | | | |
| Student Services | 856,119 | - | - | 856,119 |
| Instructional Staff | 761,060 | 248,794 | - | 1,009,854 |
| General Administrative | 612,175 | - | - | 612,175 |
| School Administrative | 945,096 | - | - | 945,096 |
| Business Administrative | 258,403 | - | - | 258,403 |
| Plant Operation and Maintenance | 1,822,158 | - | - | 1,822,158 |
| Student Transportation | 225,049 | 12,055 | - | 237,104 |
| Central Services | 346,243 | - | - | 346,243 |
| Other Support Services | - | 78,248 | - | 78,248 |
| Food Services | 3,734 | - | 879,428 | 883,162 |
| Community Services | 134,037 | - | - | 134,037 |
| Early Childhood Education | 393,608 | - | - | 393,608 |
| Capital Outlay | 2,319,711 | - | 47,604 | 2,367,315 |
| Total Expenditures | <u>19,170,535</u> | <u>2,207,029</u> | <u>927,032</u> | <u>22,304,596</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>246,971</u> | <u>(7,974)</u> | <u>330</u> | <u>239,327</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | - | 201,755 | - | 201,755 |
| Transfer Out | - | (201,755) | - | (201,755) |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| NET CHANGE IN FUND BALANCE | 246,971 | (7,974) | 330 | 239,327 |
| FUND BALANCE, JULY 1, 2010 | <u>1,096,078</u> | <u>8,032</u> | <u>260,500</u> | <u>1,364,610</u> |
| FUND BALANCE, JUNE 30, 2011 | <u>\$ 1,343,049</u> | <u>58</u> | <u>260,830</u> | <u>1,603,937</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, 2011

| | |
|--|----------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 239,327 |
| 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 \$2,367,315 exceeds depreciation expense of \$438,883. | 1,928,432 |
| 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. | (99,361) |
| 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. | 834 |
| Liability for OPEB benefits are not reported in the governmental funds. | <u>(601,375)</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ 1,467,857</u></u> |

See accompanying notes to the basic financial statements.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

| | 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 | 1,967,500 | 1,720,336 | (247,164) |
| County Property Tax | 1,909,500 | 2,039,950 | 2,097,057 | 57,107 |
| Other Local Tax | 22,100 | 19,100 | 18,256 | (844) |
| City of Elizabethton | | | | |
| Contributions | 4,339,500 | 4,192,264 | 4,491,562 | 299,298 |
| Total Payments from County and City | 7,721,100 | 8,218,814 | 8,327,211 | 108,397 |
| INTERGOVERNMENTAL REVENUES | | | | |
| Federal Through State of Tennessee | | | | |
| Basic Education Program - ARRA | - | 1,002,373 | 1,002,373 | - |
| Coordinated School Health - ARRA | 90,000 | 85,000 | 85,000 | - |
| Internet Connectivity - ARRA | 7,500 | 6,415 | 6,413 | (2) |
| Statewide Student Management System - ARRA | 5,200 | 5,450 | 5,441 | (9) |
| Safe Schools - ARRA | 6,000 | 12,000 | 12,000 | - |
| Other Federal Through State | - | 15,162 | 15,162 | - |
| State of Tennessee | | | | |
| Basic Education Program | 9,579,000 | 8,869,627 | 8,869,627 | - |
| Driver Education | 8,000 | 9,785 | 9,783 | (2) |
| Career Ladder Program | 119,696 | 105,912 | 104,744 | (1,168) |
| Career Ladder - Extended Contract | 93,360 | 93,944 | 93,944 | - |
| Early Childhood Education | 395,989 | 393,608 | 393,608 | - |
| Other State Education Funds | - | 1,180 | 135,212 | 134,032 |
| Total Intergovernmental Revenues | 10,304,745 | 10,600,456 | 10,733,307 | 132,851 |
| MISCELLANEOUS REVENUES | | | | |
| Tuition | 338,582 | 327,282 | 308,938 | (18,344) |
| Rental of School Property | 1,200 | 1,400 | 1,400 | - |
| Interest Income | 12,000 | 15,000 | 14,991 | (9) |
| Donations | 20,200 | 18,200 | 18,136 | (64) |
| Marriage Licenses | 600 | 600 | 589 | (11) |
| Other Local Revenues | 2,000 | 2,000 | 2,110 | 110 |
| Miscellaneous Refunds | - | 760 | 760 | - |
| E-Rate Funding | 8,500 | 8,500 | 8,500 | - |
| Mixed Drinks | 2,500 | 1,650 | 1,564 | (86) |
| Total Miscellaneous Revenues | 385,582 | 375,392 | 356,988 | (18,404) |
| TOTAL REVENUES | 18,411,427 | 19,194,662 | 19,417,506 | 222,844 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES | | | | |
| Instruction | | | | |
| Instruction - Regular Instruction | | | | |
| Teachers | 5,330,439 | 5,216,864 | 5,233,480 | (16,616) |
| Career Ladder Program | 57,500 | 54,000 | 54,000 | - |
| Career Ladder - Extended Contract | 80,000 | 80,000 | 80,000 | - |
| Homebound Teachers | 7,500 | 7,500 | 5,070 | 2,430 |
| Educational Assistants | 181,226 | 181,226 | 171,121 | 10,105 |
| Other Salaries and Wages | 30,000 | 81,500 | 81,476 | 24 |
| Certified Substitute Teachers | 25,000 | 25,000 | 23,793 | 1,207 |
| Non-Certified Substitute Teachers | 75,000 | 97,000 | 95,136 | 1,864 |
| Social Security | 358,385 | 361,213 | 345,796 | 15,417 |
| State Retirement | 508,233 | 507,690 | 563,521 | (55,831) |
| Life Insurance | 12,015 | 12,225 | 12,222 | 3 |
| Medical Insurance | 901,151 | 995,492 | 976,712 | 18,780 |
| Dental Insurance | 44,357 | 48,207 | 48,155 | 52 |
| Medicare | 83,829 | 84,528 | 81,777 | 2,751 |
| Other Contracted Services | 1,800 | 1,800 | - | 1,800 |
| Instructional Supplies | 94,000 | 94,000 | 61,823 | 32,177 |
| Textbooks | 220,000 | 227,875 | 227,854 | 21 |
| Other Supplies and Materials | 20,120 | 21,945 | 21,595 | 350 |
| Furniture and Fixtures | - | 28,750 | 28,736 | 14 |
| Regular Instructional Equipment | 20,000 | 21,400 | 35,941 | (14,541) |
| Total Instruction - Regular Instruction | 8,050,555 | 8,148,215 | 8,148,208 | 7 |
| Instruction - Special Education | | | | |
| Teachers | 664,850 | 664,850 | 663,269 | 1,581 |
| Career Ladder Program | 11,500 | 11,500 | 11,500 | - |
| Homebound Teachers | 2,000 | 2,000 | 1,770 | 230 |
| Educational Assistants | 170,681 | 181,206 | 173,512 | 7,694 |
| Speech Pathologist | 91,575 | 91,775 | 91,748 | 27 |
| Certified Substitute Teachers | 2,000 | 4,400 | 4,353 | 47 |
| Non-Certified Substitute Teachers | 8,500 | 25,000 | 24,761 | 239 |
| Other Salaries and Wages | 5,317 | 5,317 | 4,513 | 804 |
| Social Security | 58,497 | 59,085 | 58,193 | 892 |
| State Retirement | 84,686 | 85,521 | 94,828 | (9,307) |
| Life Insurance | 2,160 | 2,160 | 2,147 | 13 |
| Medical Insurance | 190,282 | 192,782 | 185,821 | 6,961 |
| Dental Insurance | 9,598 | 9,778 | 9,536 | 242 |
| Medicare | 13,868 | 14,018 | 13,624 | 394 |
| Other Contracted Services | 78,360 | 85,360 | 84,249 | 1,111 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instruction (Continued) | | | | |
| Instruction - Special Education (Continued) | | | | |
| Instructional Supplies | 9,500 | 9,500 | 9,418 | 82 |
| Other Supplies and Materials | 1,000 | 1,260 | 303 | 957 |
| Other Charges | 6,000 | 6,139 | 837 | 5,302 |
| Special Education Equipment | - | 11,650 | 11,635 | 15 |
| Total Instruction - Special Education | <u>1,410,374</u> | <u>1,463,301</u> | <u>1,446,017</u> | <u>17,284</u> |
| Instruction - Vocational Education | | | | |
| Teachers | 494,268 | 520,768 | 520,732 | 36 |
| Career Ladder Program | 6,000 | 7,000 | 7,000 | - |
| Certified Substitute Teachers | 500 | 2,250 | 2,215 | 35 |
| Non-Certified Substitute Teachers | 5,500 | 7,300 | 7,271 | 29 |
| Social Security | 31,017 | 32,679 | 32,649 | 30 |
| State Retirement | 45,274 | 47,764 | 53,136 | (5,372) |
| Life Insurance | 990 | 1,080 | 1,071 | 9 |
| Medical Insurance | 67,510 | 74,110 | 74,075 | 35 |
| Dental Insurance | 3,655 | 4,230 | 4,160 | 70 |
| Medicare | 7,342 | 7,707 | 7,636 | 71 |
| Maintenance and Repair - Equipment | 2,400 | 2,400 | 2,161 | 239 |
| Instructional Supplies | 19,000 | 22,000 | 21,897 | 103 |
| Other Supplies and Charges | 950 | 950 | 860 | 90 |
| Vocational Instruction Equipment | - | 30,125 | 30,100 | 25 |
| Total Instruction - Vocational Education | <u>684,406</u> | <u>760,363</u> | <u>764,963</u> | <u>(4,600)</u> |
| Instruction - Student Body | | | | |
| Other Salaries and Wages | 100,000 | 106,450 | 106,434 | 16 |
| Social Security | 6,150 | 6,450 | 6,454 | (4) |
| State Retirement | 8,475 | 8,475 | 8,199 | 276 |
| Employer Medicare | 1,450 | 2,825 | 1,509 | 1,316 |
| Other Supplies and Materials | 4,400 | 4,400 | 4,400 | - |
| Other Charges | 6,800 | 6,975 | 6,958 | 17 |
| Total Instruction - Student Body | <u>127,275</u> | <u>135,575</u> | <u>133,954</u> | <u>1,621</u> |
| Total Instructional Expenditures | <u>10,272,610</u> | <u>10,507,454</u> | <u>10,493,142</u> | <u>14,312</u> |
| Support Services | | | | |
| Student Services - Attendance | | | | |
| Supervisor/Director | 1,200 | 1,200 | 1,200 | - |
| Secretary(ies) | 32,032 | 32,032 | 32,032 | - |
| Social Security | 2,060 | 2,060 | 2,060 | - |
| State Retirement | 2,925 | 2,925 | 2,924 | 1 |
| Life Insurance | 45 | 45 | 45 | - |
| Medical | 5,426 | 5,451 | 5,447 | 4 |
| Dental | 302 | 302 | 301 | 1 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Support Services (Continued) | | | | |
| Student Services - Attendance (Continued) | | | | |
| Medicare | 481 | 481 | 482 | (1) |
| Travel | 2,000 | 2,000 | 1,809 | 191 |
| Total Student Services - Attendance | 46,471 | 46,496 | 46,300 | 196 |
| Student Services - Health Services | | | | |
| Supervisor/Director | 49,042 | 49,042 | 49,042 | - |
| Medical Personnel | 109,675 | 110,000 | 109,986 | 14 |
| Social Security | 9,841 | 9,797 | 9,590 | 207 |
| State Retirement | 14,396 | 14,161 | 14,128 | 33 |
| Life Insurance | 360 | 360 | 355 | 5 |
| Medical Insurance | 27,891 | 27,781 | 27,775 | 6 |
| Dental Insurance | 1,829 | 1,829 | 1,740 | 89 |
| Medicare | 2,300 | 2,290 | 2,243 | 47 |
| Travel | 725 | 725 | 549 | 176 |
| Other Contracted Services | 5,000 | - | - | - |
| Other Supplies and Materials | 17,787 | 33,523 | 32,960 | 563 |
| Other Charges | 750 | 750 | 320 | 430 |
| In-Service/Staff Development | 6,000 | 6,025 | 6,023 | 2 |
| Total Student Services - Health Services | 245,596 | 256,283 | 254,711 | 1,572 |
| Student Services - Other Student Support | | | | |
| Career Ladder Program | 2,000 | 2,000 | 2,000 | - |
| Guidance Personnel | 273,611 | 274,211 | 274,201 | 10 |
| Secretaries | 91,191 | 91,191 | 90,454 | 737 |
| Social Security | 22,741 | 22,741 | 21,778 | 963 |
| State Retirement | 32,958 | 32,958 | 32,947 | 11 |
| Life Insurance | 765 | 765 | 765 | - |
| Medical Insurance | 56,727 | 64,577 | 63,636 | 941 |
| Dental Insurance | 3,402 | 3,402 | 3,304 | 98 |
| Medicare | 5,319 | 5,319 | 5,093 | 226 |
| Evaluation and Testing | 12,000 | 18,000 | 17,996 | 4 |
| Other Contracted Services | - | 31,100 | 31,058 | 42 |
| Other Charges | 6,000 | 6,000 | 6,000 | - |
| Other Equipment | - | 6,000 | 5,876 | 124 |
| Total Student Services - Other Student Support | 506,714 | 558,264 | 555,108 | 3,156 |
| Total Student Services Support Services | 798,781 | 861,043 | 856,119 | 4,924 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instructional Staff | | | | |
| Instructional Staff Services - Regular Instruction | | | | |
| Supervisor/Director | 115,028 | 117,678 | 117,675 | 3 |
| Career Ladder Program | 10,000 | 10,000 | 10,000 | - |
| Librarians | 223,836 | 220,686 | 218,716 | 1,970 |
| Secretary | 7,852 | 7,852 | 7,852 | - |
| Social Security | 24,849 | 24,849 | 22,962 | 1,887 |
| State Retirement | 36,248 | 36,248 | 41,957 | (5,709) |
| Life Insurance | 686 | 686 | 686 | - |
| Medical Insurance | 60,712 | 62,762 | 58,686 | 4,076 |
| Dental Insurance | 2,966 | 2,966 | 2,945 | 21 |
| Medicare | 5,792 | 5,792 | 5,370 | 422 |
| Maintenance and Repair - Equipment | 5,900 | 5,900 | 5,900 | - |
| Travel | 500 | 1,000 | 1,007 | (7) |
| Library Books/Media | 36,700 | 36,700 | 36,700 | - |
| Other Supplies and Materials | 500 | 1,000 | 307 | 693 |
| In-Service/Staff Development | 13,100 | 13,100 | 5,890 | 7,210 |
| Other Charges | 1,500 | 1,500 | 1,465 | 35 |
| Education Media Personnel | 44,061 | 44,061 | 44,061 | - |
| Total Instructional Staff Services - Regular Instruction | 590,230 | 592,780 | 582,179 | 10,601 |
| Instructional Staff Services - Special Education | | | | |
| Supervisor/Director | 55,274 | 55,274 | 55,274 | - |
| Secretaries | 23,556 | 23,556 | 23,556 | - |
| Social Security | 4,887 | 4,887 | 4,844 | 43 |
| State Retirement | 7,073 | 7,073 | 12,375 | (5,302) |
| Life Insurance | 102 | 102 | 102 | - |
| Medical Insurance | 11,666 | 11,741 | 11,532 | 209 |
| Dental Insurance | 756 | 756 | 752 | 4 |
| Medicare | 1,143 | 1,143 | 1,138 | 5 |
| Maintenance and Repair - Equipment | 500 | 1,000 | 863 | 137 |
| Travel | 2,500 | 2,900 | 2,895 | 5 |
| In-Service/Staff Development | 3,500 | 3,100 | 181 | 2,919 |
| Other Charges | 250 | 250 | - | 250 |
| Total Instructional Staff Services - Special Education | 111,207 | 111,782 | 113,512 | (1,730) |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Instructional Staff (Continued) | | | | |
| Instructional Staff Services - Vocational Education | | | | |
| Supervisor/Director | 29,576 | 29,576 | 29,576 | - |
| Career Ladder Program | 1,800 | 1,800 | 1,800 | - |
| Secretaries | 20,261 | 20,261 | 20,261 | - |
| Social Security | 1,256 | 1,256 | 1,256 | - |
| State Retirement | 1,781 | 1,781 | 1,781 | - |
| Life Insurance | 45 | 45 | 45 | - |
| Medical Insurance | 8,734 | 9,184 | 9,044 | 140 |
| Dental Insurance | 607 | 607 | 604 | 3 |
| Medicare | 749 | 749 | 749 | - |
| In-Service/Staff Development | 3,700 | 3,700 | 253 | 3,447 |
| Total Instructional Staff Services - Vocational Education | 68,509 | 68,959 | 65,369 | 3,590 |
| Total Instructional Staff Support Services | 769,946 | 773,521 | 761,060 | 12,461 |
| General Administrative | | | | |
| General Administrative Services - Board of Education | | | | |
| Secretary to Board | 1,200 | 1,200 | 1,200 | - |
| Social Security | 74 | 74 | 72 | 2 |
| State Retirement | 105 | 105 | 105 | - |
| Unemployment Compensation | 20,000 | 22,000 | 24,723 | (2,723) |
| Medicare | 17 | 17 | 17 | - |
| Audit Services | 26,000 | 26,000 | 26,000 | - |
| Dues and Memberships | 7,750 | 7,750 | 7,641 | 109 |
| Legal Services | 30,000 | 30,000 | 21,532 | 8,468 |
| Other Contracted Services | 2,000 | 2,000 | 2,000 | - |
| Liability Insurance | 26,400 | 28,625 | 28,623 | 2 |
| Premium on Corporate Surety Bonds | 1,500 | 1,500 | 1,328 | 172 |
| Trustee Commissions | 65,000 | 65,000 | 55,117 | 9,883 |
| Workers' Compensation | 90,500 | 105,500 | 104,220 | 1,280 |
| In-Service/Staff Development | 7,750 | 7,750 | 7,710 | 40 |
| Other Charges | 2,000 | 52,250 | 52,128 | 122 |
| Total General Admin. Svcs. - Board of Education | 280,296 | 349,771 | 332,416 | 17,355 |
| General Administrative Services - | | | | |
| Office of the Superintendent | | | | |
| County Official/Administrative Officer | 85,905 | 90,205 | 90,200 | 5 |
| Career Ladder Program | 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, 2011

| | 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 | 29,619 | 29,619 | 29,619 | - |
| Other Salaries and Wages | 4,800 | 4,800 | 4,800 | - |
| Social Security | 9,896 | 10,040 | 10,024 | 16 |
| State Retirement | 14,270 | 14,624 | 16,965 | (2,341) |
| Life Insurance | 180 | 180 | 180 | - |
| Medical Insurance | 19,206 | 19,206 | 18,704 | 502 |
| Dental Insurance | 907 | 907 | 903 | 4 |
| Medicare | 2,314 | 2,356 | 2,344 | 12 |
| Advertising | 3,500 | 3,725 | 3,719 | 6 |
| Communication | 33,000 | 38,500 | 38,528 | (28) |
| Dues and Memberships | 2,000 | 2,000 | 1,216 | 784 |
| Postal Charges | 7,000 | 4,500 | 4,330 | 170 |
| Printing, Stationery and Forms | 1,500 | - | - | - |
| Travel | 450 | 450 | 101 | 349 |
| Other Contracted Services | 6,500 | 7,000 | 6,215 | 785 |
| Office Supplies | 5,500 | 5,750 | 5,726 | 24 |
| In-Service/Staff Development | 3,400 | 750 | 735 | 15 |
| Other Charges | 6,475 | 6,725 | 6,657 | 68 |
| Total General Admin. Svcs. - Office of the Superintendent | 275,715 | 280,130 | 279,759 | 371 |
| Total General Administrative Support Services | 556,011 | 629,901 | 612,175 | 17,726 |
| School Administrative | | | | |
| School Administrative Services - Office of the Principal | | | | |
| Principals | 320,957 | 322,357 | 322,307 | 50 |
| Career Ladder Program | 13,000 | 9,000 | 9,000 | - |
| Assistant Principals | 232,311 | 231,058 | 226,829 | 4,229 |
| Secretaries | 110,189 | 110,189 | 109,536 | 653 |
| Other Salaries and Wages | 9,827 | 13,827 | 13,774 | 53 |
| Social Security | 42,550 | 42,302 | 39,993 | 2,309 |
| State Retirement | 60,936 | 60,621 | 67,237 | (6,616) |
| Life Insurance | 1,080 | 1,080 | 1,080 | - |
| Medical Insurance | 93,263 | 100,738 | 94,344 | 6,394 |
| Dental Insurance | 4,572 | 4,597 | 4,536 | 61 |
| Medicare | 9,951 | 9,892 | 9,353 | 539 |
| Communication | 25,691 | 25,691 | 25,691 | - |
| Travel | 2,000 | 2,350 | 1,793 | 557 |
| Office Supplies | 17,225 | 17,225 | 17,218 | 7 |
| In-Service/Staff Development | 2,500 | 3,575 | 2,405 | 1,170 |
| Total School Admin. Svcs. - Office of the Principal | 946,052 | 954,502 | 945,096 | 9,406 |
| Total School Administrative Support Services | 946,052 | 954,502 | 945,096 | 9,406 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Business Administrative Services - Fiscal Services | | | | |
| Supervisor/Director | 67,103 | 67,103 | 67,103 | - |
| Accountants/Bookkeepers | 70,242 | 65,567 | 64,364 | 1,203 |
| Secretaries | 32,032 | 33,782 | 33,757 | 25 |
| Clerical Personnel | - | 20,215 | 20,211 | 4 |
| Social Security | 10,501 | 11,576 | 11,420 | 156 |
| State Retirement | 15,064 | 16,589 | 18,139 | (1,550) |
| Life Insurance | 225 | 270 | 270 | - |
| Medical Insurance | 22,197 | 26,222 | 26,219 | 3 |
| Dental Insurance | 1,209 | 1,434 | 1,430 | 4 |
| Medicare | 2,455 | 2,705 | 2,671 | 34 |
| Data Processing Services | 4,989 | 4,989 | 4,989 | - |
| Dues and Subscriptions | 125 | 125 | 100 | 25 |
| Travel | 150 | 425 | 412 | 13 |
| Data Processing Supplies | 750 | 750 | 370 | 380 |
| Office Supplies | 4,000 | 4,000 | 3,023 | 977 |
| In-Service/Staff Development | 3,000 | 3,000 | 2,943 | 57 |
| Other Charges | 1,000 | 1,000 | 982 | 18 |
| Total Bus. Admin. Svcs. - Fiscal Services | <u>235,042</u> | <u>259,752</u> | <u>258,403</u> | <u>1,349</u> |
| Operation and Maintenance - Operation of Plant | | | | |
| Operation and Maintenance | | | | |
| Supervisor/Director | 26,790 | 26,790 | 26,790 | - |
| Custodial Personnel | 258,592 | 252,354 | 249,007 | 3,347 |
| Social Security | 17,690 | 18,240 | 16,753 | 1,487 |
| State Retirement | 23,810 | 26,010 | 37,141 | (11,131) |
| Life Insurance | 855 | 895 | 891 | 4 |
| Medical Insurance | 116,337 | 124,562 | 124,298 | 264 |
| Dental Insurance | 6,395 | 6,670 | 6,580 | 90 |
| Medicare | 4,140 | 4,265 | 3,918 | 347 |
| Other Contracted Services | 50,000 | 50,000 | 48,984 | 1,016 |
| Custodial Supplies | 35,000 | 35,000 | 32,555 | 2,445 |
| Electricity | 415,000 | 453,000 | 435,145 | 17,855 |
| Natural Gas | 185,000 | 140,900 | 117,515 | 23,385 |
| Water and Sewer | 30,000 | 32,500 | 33,386 | (886) |
| Boiler Insurance | 4,040 | 4,390 | 4,388 | 2 |
| Building and Contents Insurance | 74,000 | 79,925 | 79,903 | 22 |
| Plant Operation Equipment | - | 16,200 | 16,186 | 14 |
| Other Charges | 7,500 | 8,500 | 8,242 | 258 |
| Total Oper. and Maint. - Operation of Plant | <u>1,255,149</u> | <u>1,280,201</u> | <u>1,241,682</u> | <u>38,519</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, 2011

| | 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 | 144,102 | 144,102 | 138,609 | 5,493 |
| Social Security | 11,288 | 11,288 | 10,437 | 851 |
| State Retirement | 16,004 | 16,004 | 15,491 | 513 |
| Life Insurance | 225 | 225 | 225 | - |
| Medical Insurance | 30,785 | 30,860 | 30,810 | 50 |
| Dental Insurance | 1,512 | 1,512 | 1,505 | 7 |
| Medicare | 2,640 | 2,640 | 2,441 | 199 |
| Laundry Service | 5,000 | 5,000 | 3,509 | 1,491 |
| Maintenance and Repair - Buildings | 175,000 | 300,000 | 274,815 | 25,185 |
| Maintenance and Repair - Equipment | 1,800 | 1,800 | 400 | 1,400 |
| Maintenance and Repair - Vehicles | 2,000 | 6,000 | 5,784 | 216 |
| Other Contracted Services | 44,000 | 48,100 | 48,105 | (5) |
| Maintenance Equipment | - | 6,276 | 6,276 | - |
| Other Equipment | - | 4,000 | 3,995 | 5 |
| In-service/Staff Development | 250 | 250 | 114 | 136 |
| Total Oper. and Maint. - Maintenance of Plant | 472,566 | 616,017 | 580,476 | 35,541 |
| Total Operation and Maintenance Support Services | 1,727,715 | 1,896,218 | 1,822,158 | 74,060 |
| Student Transportation | | | | |
| Supervisor/Director | 2,500 | 2,500 | 2,500 | - |
| Mechanics | 7,500 | 7,500 | 5,972 | 1,528 |
| Bus Drivers | 60,164 | 64,114 | 64,072 | 42 |
| Other Salaries and Wages | 2,500 | 6,800 | 6,610 | 190 |
| Social Security | 4,505 | 4,505 | 4,333 | 172 |
| State Retirement | 6,212 | 7,087 | 8,645 | (1,558) |
| Life Insurance | 292 | 292 | 292 | - |
| Medical Insurance | 38,407 | 39,157 | 38,953 | 204 |
| Dental Insurance | 1,980 | 1,980 | 1,970 | 10 |
| Medicare | 1,054 | 1,054 | 594 | 460 |
| Maintenance and Repair - Vehicles | 5,000 | 4,350 | 3,307 | 1,043 |
| Medical and Dental Services | 2,000 | 2,000 | 1,506 | 494 |
| Diesel Fuel | 30,000 | 38,000 | 37,630 | 370 |
| Gasoline | 8,000 | 10,000 | 9,380 | 620 |
| Tires and Tubes | 4,000 | 4,000 | - | 4,000 |
| Vehicle Parts | 9,000 | 11,200 | 10,950 | 250 |
| Vehicle Insurance | 22,750 | 24,700 | 24,670 | 30 |
| In-service/Staff Development | 1,000 | 1,000 | 950 | 50 |
| Transportation Equipment | - | 90,000 | - | 90,000 |
| Other Charges | 1,500 | 4,500 | 2,715 | 1,785 |
| Total Student Transportation Support Services | 208,364 | 324,739 | 225,049 | 99,690 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Central Services | | | | |
| Supervisor/Director | 52,457 | 55,457 | 55,426 | 31 |
| Data Processing Personnel | 70,304 | 96,304 | 95,081 | 1,223 |
| Social Security | 7,611 | 9,336 | 9,326 | 10 |
| State Retirement | 10,927 | 13,427 | 15,844 | (2,417) |
| Life Insurance | 180 | 220 | 215 | 5 |
| Medical Insurance | 18,870 | 21,895 | 21,735 | 160 |
| Dental Insurance | 907 | 1,082 | 1,081 | 1 |
| Medicare | 1,781 | 2,181 | 2,181 | - |
| Maintenance and Repair - Equipment | 24,000 | 21,500 | 21,191 | 309 |
| Travel | 2,000 | 2,000 | 1,675 | 325 |
| Other Contracted Services | 58,500 | 58,855 | 58,020 | 835 |
| Data Processing Supplies | 10,000 | 10,000 | 8,895 | 1,105 |
| Other Supplies and Materials | 3,000 | 3,000 | 2,995 | 5 |
| In-Service/Staff Development | 2,000 | 2,000 | 2,000 | - |
| Furniture and Fixtures | - | 1,500 | 1,458 | 42 |
| Data Processing Equipment | 22,500 | 57,750 | 49,120 | 8,630 |
| Total Central Services Support Services | 285,037 | 356,507 | 346,243 | 10,264 |
| Total Support Services | 5,526,948 | 6,056,183 | 5,826,303 | 229,880 |
| Food Services | | | | |
| Clerical Personnel | 32,032 | 3,332 | 3,285 | 47 |
| Social Security | 1,986 | 166 | 165 | 1 |
| State Retirement | 2,816 | 236 | 235 | 1 |
| Medicare | 464 | 49 | 49 | - |
| Total Food Services | 37,298 | 3,783 | 3,734 | 49 |
| Community Services | | | | |
| Supervisor/Director | 34,500 | 34,500 | 34,295 | 205 |
| Other Salaries and Wages | 107,000 | 69,700 | 69,501 | 199 |
| Social Security | 8,750 | 6,425 | 6,409 | 16 |
| State Retirement | 3,913 | 3,388 | 3,293 | 95 |
| Life Insurance | 90 | 90 | 90 | - |
| Medical Insurance | 5,426 | 5,451 | 5,447 | 4 |
| Dental Insurance | 303 | 303 | 301 | 2 |
| Medicare | 2,025 | 1,500 | 1,500 | - |
| Travel | 750 | 750 | 733 | 17 |
| Food Supplies | 5,500 | 3,000 | 3,255 | (255) |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Community Services (Continued) | | | | |
| Other Supplies and Materials | 6,325 | 5,700 | 5,472 | 228 |
| Other Charges | 4,000 | 3,625 | 3,741 | (116) |
| Total Community Services | <u>178,582</u> | <u>134,432</u> | <u>134,037</u> | <u>395</u> |
| Early Childhood Education | | | | |
| Supervisor/Director | 56,202 | 60,602 | 60,594 | 8 |
| Teachers | 85,949 | 78,280 | 78,263 | 17 |
| Bus Drivers | 13,965 | 14,005 | 14,003 | 2 |
| Secretary(ies) | 14,923 | 14,363 | 14,362 | 1 |
| Educational Assistants | 54,488 | 57,488 | 57,847 | (359) |
| Custodian | 11,744 | 11,304 | 11,296 | 8 |
| Social Security | 14,710 | 14,040 | 14,004 | 36 |
| State Retirement | 21,094 | 20,684 | 20,634 | 50 |
| Life Insurance | 585 | 585 | 585 | - |
| Medical Insurance | 57,171 | 59,921 | 59,926 | (5) |
| Dental Insurance | 3,087 | 3,102 | 3,102 | - |
| Employer Medicare | 3,439 | 3,289 | 3,274 | 15 |
| Communication | 4,400 | 4,230 | 4,230 | - |
| Travel | - | 560 | 559 | 1 |
| Other Contracted Services | 50,232 | 44,495 | 44,279 | 216 |
| Other Charges | - | 1,515 | 1,512 | 3 |
| Other Equipment | - | 1,005 | 1,003 | 2 |
| Instructional Supplies | 4,000 | 4,140 | 4,135 | 5 |
| Total Early Childhood Education | <u>395,989</u> | <u>393,608</u> | <u>393,608</u> | <u>0</u> |
| Capital Outlay - Regular | | | | |
| Architects | 50,000 | 22,000 | 20,000 | 2,000 |
| Building Improvements | - | 142,306 | 132,859 | 9,447 |
| Building Construction | 1,950,000 | 2,093,264 | 2,054,311 | 38,953 |
| Communication Equipment | - | 82,874 | 112,541 | (29,667) |
| Total Capital Outlay | <u>2,000,000</u> | <u>2,340,444</u> | <u>2,319,711</u> | <u>20,733</u> |
| Total Expenditures | <u>18,411,427</u> | <u>19,435,904</u> | <u>19,170,535</u> | <u>265,369</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>(241,242)</u> | <u>246,971</u> | <u>488,213</u> |
| FUND BALANCE, JULY 1, 2010 | <u>1,096,078</u> | <u>1,096,078</u> | <u>1,096,078</u> | <u>-</u> |
| FUND BALANCE, JUNE 30, 2011 | <u>\$ 1,096,078</u> | <u>854,836</u> | <u>1,343,049</u> | <u>488,213</u> |

See accompanying notes to the basic 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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental Revenues | | | | |
| Title I | \$ 753,491 | 756,820 | 703,410 | (53,410) |
| Title I - ARRA | 260,000 | 266,064 | 266,064 | - |
| Title II | 150,135 | 159,516 | 120,458 | (39,058) |
| Title X | 18,570 | 23,570 | 23,560 | (10) |
| Title X - ARRA | 3,431 | 3,431 | 3,431 | - |
| Special Education (IDEA) | 469,181 | 554,007 | 451,011 | (102,996) |
| Special Education (IDEA) - ARRA | 179,743 | 190,508 | 190,508 | - |
| Special Education (Preschool) | 10,824 | 10,824 | 8,496 | (2,328) |
| Special Education (Preschool) - ARRA | 6,250 | 6,358 | 6,358 | - |
| Vocational Education | 129,622 | 129,622 | 129,622 | - |
| Federal Jobs Program | - | 111,120 | 109,153 | (1,967) |
| Race To The Top | 191,950 | 203,870 | 166,254 | (37,616) |
| Vocational Rehab | 21,469 | 21,469 | 20,730 | (739) |
| TOTAL REVENUES | 2,194,666 | 2,437,179 | 2,199,055 | (238,124) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Instruction - Regular Instruction | | | | |
| Teachers | 493,933 | 512,933 | 510,353 | 2,580 |
| Educational Assistants | 256,329 | 248,779 | 229,766 | 19,013 |
| Assistant Principals | - | 50,000 | 49,948 | 52 |
| Other Salaries and Wages | 13,340 | 12,575 | 12,553 | 22 |
| Social Security | 46,909 | 50,289 | 40,439 | 9,850 |
| State Retirement | 67,155 | 72,806 | 55,578 | 17,228 |
| Life Insurance | 1,125 | 1,765 | 1,629 | 136 |
| Medical Insurance | 113,575 | 163,872 | 148,746 | 15,126 |
| Dental Insurance | 5,790 | 8,445 | 7,312 | 1,133 |
| Medicare | 11,080 | 11,909 | 11,066 | 843 |
| Instructional Supplies and Materials | 69,267 | 73,296 | 65,592 | 7,704 |
| Total Instruction - Regular Instruction | 1,078,503 | 1,206,669 | 1,132,982 | 73,687 |
| Instruction - Special Education | | | | |
| Teachers | 55,257 | 55,260 | 55,257 | 3 |
| Educational Assistants | 283,774 | 335,295 | 284,243 | 51,052 |
| Speech Pathologist | 37,000 | 37,625 | 37,626 | (1) |
| Other Salaries and Wages | - | 2,243 | 2,053 | 190 |
| Social Security | 21,872 | 25,658 | 21,380 | 4,278 |
| State Retirement | 29,902 | 34,785 | 28,578 | 6,207 |
| Life Insurance | 1,125 | 1,349 | 1,076 | 273 |
| Medical Insurance | 120,745 | 140,389 | 114,320 | 26,069 |
| Dental Insurance | 6,710 | 8,056 | 6,282 | 1,774 |
| Medicare | 5,427 | 6,313 | 5,313 | 1,000 |
| Instructional Supplies | 23,839 | 18,708 | 11,005 | 7,703 |
| Special Education Equipment | 14,242 | 23,154 | 23,559 | (405) |
| Other Contracted Services | 26,329 | 27,004 | 27,000 | 4 |
| Total Instruction - Special Education | 626,222 | 715,839 | 617,692 | 98,147 |

(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, 2011

| | 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 | 3,190 | 2,365 | 2,364 | 1 |
| Vocational Instruction Equipment | 24,837 | 114,800 | 114,894 | (94) |
| Total Instruction - Vocational Education | 28,027 | 117,165 | 117,258 | (93) |
| Total Instructional Expenditures | 1,732,752 | 2,039,673 | 1,867,932 | 171,741 |
| Support Services | | | | |
| Instructional Staff Services - Regular Instruction | | | | |
| Supervisor | 76,455 | 76,455 | 76,455 | - |
| Secretary | 32,032 | 32,032 | 32,032 | - |
| Other Salaries and Wages | 12,106 | 12,106 | 11,904 | 202 |
| Social Security | 7,477 | 7,477 | 7,408 | 69 |
| State Retirement | 9,735 | 9,735 | 9,735 | - |
| Life Insurance | 135 | 135 | 135 | - |
| Medical Insurance | 11,364 | 11,364 | 11,195 | 169 |
| Dental Insurance | 605 | 655 | 648 | 7 |
| Employer Medicare | 1,749 | 1,749 | 1,732 | 17 |
| Travel | 21,500 | 18,400 | 9,838 | 8,562 |
| Other Contracted Services | 12,769 | 12,769 | 12,731 | 38 |
| Other Supplies and Materials | 3,500 | 3,500 | 3,464 | 36 |
| In-Service/Staff Development | 84,790 | 68,136 | 35,416 | 32,720 |
| Other Charges | 20,000 | - | - | - |
| Other Equipment | - | 36,280 | 36,101 | 179 |
| Total Instructional Staff Services - Reg Instruction | 294,217 | 290,793 | 248,794 | 41,999 |
| Support Services - Student Transportation | | | | |
| Bus Drivers | 8,954 | 8,954 | 8,746 | 208 |
| Other Salaries and Wages | 1,720 | 1,720 | 1,430 | 290 |
| Social Security | 662 | 662 | 516 | 146 |
| State Retirement | 947 | 947 | 894 | 53 |
| Life Insurance | 45 | 45 | 45 | - |
| Dental Insurance | 305 | 305 | 303 | 2 |
| Medicare | 155 | 155 | 121 | 34 |
| Total Student Transportation Support Services | 12,788 | 12,788 | 12,055 | 733 |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Support Services (Continued) | | | | |
| Other Support Services | | | | |
| Health Services | - | 26,405 | 23,440 | 2,965 |
| Other Student Support | 136,143 | 63,311 | 47,375 | 15,936 |
| Special Education Support | 9,000 | 9,975 | 5,167 | 4,808 |
| Vocational Support | 2,266 | 2,266 | 2,266 | - |
| Total Other Support Services | 147,409 | 101,957 | 78,248 | 23,709 |
| Total Support Services | 454,414 | 405,538 | 339,097 | 66,441 |
| TOTAL EXPENDITURES | 2,187,166 | 2,445,211 | 2,207,029 | 238,182 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 7,500 | (8,032) | (7,974) | 58 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 200,625 | 202,625 | 201,755 | (870) |
| Transfers Out | (208,125) | (202,625) | (201,755) | 870 |
| Total Other Financing Sources (Uses) | (7,500) | 0 | 0 | 0 |
| NET CHANGE IN FUND BALANCE | - | (8,032) | (7,974) | 58 |
| FUND BALANCE, JULY 1, 2010 | 8,032 | 8,032 | 8,032 | - |
| FUND BALANCE, JUNE 30, 2011 | \$ 8,032 | 0 | 58 | 58 |

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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|----------------------------------|---------------------------------|------------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental Revenues | | | | |
| USDA Lunch Claims | \$ 329,800 | 389,300 | 388,688 | (612) |
| USDA Breakfast Claims | 105,500 | 122,000 | 121,828 | (172) |
| USDA Equipment - ARRA | - | - | 6,355 | 6,355 |
| Snack Reimbursement | 8,000 | 11,350 | 4,981 | (6,369) |
| Commodities | - | - | 37,668 | 37,668 |
| State Matching | 8,750 | 9,250 | 21,779 | 12,529 |
| Total Intergovernmental Revenues | 452,050 | 531,900 | 581,299 | 49,399 |
| Charges for Services | | | | |
| Meal Payment - Children | 251,500 | 262,500 | 262,480 | (20) |
| Meal Payment - Adults | 23,600 | 24,500 | 24,495 | (5) |
| Income from Breakfast | 2,225 | 2,225 | 2,040 | (185) |
| A La Carte Sales | 67,197 | 52,244 | 51,447 | (797) |
| Other Charges for Services | 11,000 | 4,000 | 3,622 | (378) |
| Total Charges for Services | 355,522 | 345,469 | 344,084 | (1,385) |
| Investment Earnings | 1,500 | 2,000 | 1,979 | (21) |
| TOTAL REVENUES | 809,072 | 879,369 | 927,362 | 47,993 |
| EXPENDITURES | | | | |
| Food Services | | | | |
| Supervisor/Director | 36,442 | 36,442 | 36,428 | 14 |
| Cafeteria Personnel | 258,008 | 258,008 | 252,929 | 5,079 |
| Other Salaries and Wages | 3,500 | 3,500 | 2,891 | 609 |
| Social Security | 18,443 | 18,443 | 17,677 | 766 |
| State Retirement | 23,434 | 23,434 | 34,928 | (11,494) |
| Life Insurance | 855 | 855 | 837 | 18 |
| Medical Insurance | 115,448 | 118,448 | 118,325 | 123 |
| Dental Insurance | 6,223 | 6,223 | 6,241 | (18) |
| Medicare | 4,319 | 4,319 | 4,134 | 185 |
| Communication | 650 | 950 | 906 | 44 |
| Maintenance/Repair - Equipment | 5,900 | 7,900 | 7,498 | 402 |
| Transportation | 5,700 | 5,700 | 2,289 | 3,411 |
| Travel | 50 | 125 | 115 | 10 |
| Food Supplies | 297,500 | 332,775 | 360,197 | (27,422) |
| Office Supplies | 1,250 | 1,250 | 1,186 | 64 |
| Other Supplies and Materials | 21,400 | 25,400 | 23,449 | 1,951 |
| In-Service/Staff Development | 875 | 1,050 | 1,043 | 7 |
| Other Charges | 6,575 | 6,575 | 5,460 | 1,115 |
| Equipment | - | - | 2,895 | (2,895) |
| Capital Outlay | 2,500 | 52,500 | 47,604 | 4,896 |
| TOTAL EXPENDITURES | 809,072 | 903,897 | 927,032 | (23,135) |

(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, 2011

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (24,528) | 330 | 24,858 |
| FUND BALANCE, JULY 1, 2010 | 260,500 | 260,500 | 260,500 | - |
| FUND BALANCE, JUNE 30, 2011 | <u>\$ 260,500</u> | <u>235,972</u> | <u>260,830</u> | <u>24,858</u> |

See accompanying notes to the basic 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, 2011

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 Schools' accounting policies are described below.

Reporting Entity

The General Purpose School Fund, School Federal Projects Fund, and School Nutrition Fund are three funds of the Elizabethton, 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 consider revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue has a period of availability of one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and debt service are recorded only when payment is due.

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

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Schools' funds. Certain disclosures regarding deposits and investments are required by GAAP for those amounts included on the balance sheet as cash and cash equivalents. The Board of Education does not have any deposits or investments other than cash on deposit with banks.

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.

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 the life of the asset are not capitalized.

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

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

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.

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Beginning with fiscal year July 1, 2010, the Schools implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Schools, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Schools' takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Schools' intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Purpose School Fund.

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

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

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Schools' financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the fiscal year. The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual include original and final amended budget amounts. The budgets were legally adopted on a basis consistent with GAAP.

For the fiscal year ended June 30, 2011, expenditures exceeded those budgeted by \$23,135 in the School Nutrition Fund.

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.

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, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

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

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

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 \$807,375 and the bank balance was \$1,284,550.

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, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Receivables

Receivables as of year end for the Schools' 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 | \$ 10,704 | - | 213 | 10,917 |
| Due from Other Governments | | | | |
| Federal and State | 1,089,447 | 195,575 | 6,355 | 1,291,377 |
| Carter County, Tax Allocation | <u>2,466,018</u> | <u>-</u> | <u>-</u> | <u>2,466,018</u> |
| Total Receivables | <u>\$ 3,566,169</u> | <u>195,575</u> | <u>6,568</u> | <u>3,768,312</u> |

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

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|------------------|
| Receivables not received within period of availability: | | |
| Property tax levied for ensuing fiscal year: | | |
| General Fund | \$ - | 2,371,018 |
| Other tax receivables | - | 1,167 |
| Property tax levied but not collected in period of availability | <u>70,450</u> | <u>-</u> |
| | <u>\$ 70,450</u> | <u>2,372,185</u> |

On the fund financial statement level, deferred revenue is \$2,442,635 for the current fiscal year.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 216,170 | - | - | 216,170 |
| Construction in Progress | 2,510,855 | 2,145,136 | (105,272) | 4,550,719 |
| Total Capital Assets, Not Being Depreciated | 2,727,025 | 2,145,136 | (105,272) | 4,766,889 |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 17,862,471 | 134,939 | - | 17,997,410 |
| Equipment | 1,117,017 | 192,512 | - | 1,309,529 |
| Total Capital Assets, Being Depreciated | 18,979,488 | 327,451 | 0 | 19,306,939 |
| Less Accumulated Depreciation For | | | | |
| Buildings | (8,304,196) | (380,217) | - | (8,684,413) |
| Equipment | (626,569) | (58,666) | - | (685,235) |
| Total Accumulated Depreciation | (8,930,765) | (438,883) | 0 | (9,369,648) |
| Total Capital Assets, Being Depreciated, Net | 10,048,723 | (111,432) | 0 | 9,937,291 |
| Total Capital Assets, Net | \$ 12,775,748 | 2,033,704 | (105,272) | 14,704,180 |

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

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, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Long-Term Debt

The following is a summary of debt transactions of the Schools for the fiscal year ended June 30, 2011:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|-------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 34,107 | 8,244 | 9,078 | 33,273 | 9,078 |
| OPEB Liability | 1,217,702 | 601,375 | - | 1,819,077 | - |
| Governmental Activities | | | | | |
| Long-Term Liabilities | \$ 1,251,809 | 609,619 | 9,078 | 1,852,350 | 9,078 |

NOTE 4 - OTHER INFORMATION

Risk Management

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

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/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, 2011 was 8.79% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Elizabethton, Tennessee City Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2011, Elizabethton, Tennessee City School's annual pension cost of \$215,955 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, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Elizabethton, 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, 2009 was 6 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, 2011 | \$215,955 | 100.00% | \$0.00 |
| June 30, 2010 | \$228,582 | 100.00% | \$0.00 |
| June 30, 2009 | \$214,097 | 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 \$6.6 million, and the actuarial value of assets was \$5.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.3 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
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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% |

Plan Description

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at 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, 2011 was 9.05% 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, 2011, 2010, and 2009 were \$822,686, \$570,804, and \$545,446, respectively, equal to the required contributions for each year.

Post-Employment Healthcare Plan

Plan Description

The Elizabethton, Tennessee City Schools participate 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
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Funding Policy (Continued)

The schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2011 are as follows:

Monthly Premiums – Retiree:

PPO \$258 to \$504 (single coverage)

Monthly Premiums – Active:

PPO \$469 to \$503 (single coverage)

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

| | 07/01/2010 - 06/30/2011 |
|---|----------------------------|
| Annual OPEB Cost and Net OPEB Obligation | |
| 1. Annual Required Contribution (ARC) | \$ 728,000 |
| 2. Interest on net OPEB Obligation | 54,797 |
| 3. Adjustment to ARC | (51,903) |
| 4. Annual OPEB Cost (Expense) (1+2+3) | 730,894 |
| 5. Contribution made (assumed end of year)* | 129,519 |
| 6. Increase (Decrease) in net OPEB Obligation (4 - 5) | 601,375 |
| 7. Net OPEB Obligation - beginning of year | 1,217,702 |
| 8. Net OPEB Obligation - end of year (6 + 7) | \$ 1,819,077 |

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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> |
|-----------------|------------------------------|-------------------------|---|--|
| 6/30/2011 | Teacher and Local Government | \$ 730,894 | 17.7% | \$ 1,819,077 |
| 6/30/2010 | Teacher and Local Government | \$ 724,452 | 16.3% | \$ 1,217,702 |
| 6/30/2009 | Teacher and Local Government | \$ 733,000 | 16.6% | \$ 611,000 |

Data not available for preceding year.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, was as follows:

| | |
|---|--------------|
| Actuarial Valuation Date | July 1, 2010 |
| Actuarial Accrued Liability (AAL) | \$ 5,606,000 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | 5,606,000 |
| Actuarial Value of Assets as a % of the AAL | 0% |
| Covered Payroll | 11,963,166 |
| UAAL as a Percentage of Covered Payroll | 47% |

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

Actuarial Methods and Assumptions

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

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 10.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates include a 3.0 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 schools elected to implement prospectively; therefore, prior year comparative data is not available.

Total on-behalf payments were \$125,341.

Concentration

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

NOTE 5 – ACCOUNTING CHANGE

Provisions of Governmental Accounting Standards Board (GASB) Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No.54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. The Schools have implemented provisions of this statement in the financial statements of this report for their governmental funds.

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, 2011

(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 went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

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, 2011

| Actuarial Valuation <u>Date</u> | Actuarial Value of Plan Assets <u>(a)</u> | Actuarial Accrued Liability (AAL) <u>(b)</u> | Unfunded AAL (UAAL) <u>(b) - (a)</u> | Funded Ratio <u>(a/b)</u> | Covered Payroll <u>(c)</u> | UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u> |
|---------------------------------------|--|--|---|---------------------------------|----------------------------------|--|
| July 1, 2010 | \$0 | \$5,606,000 | \$5,606,000 | 0.00% | 11,963,166 | 46.86% |
| July 1, 2009 | \$0 | \$5,589,000 | \$5,589,000 | 0.00% | 11,584,000 | 48.25% |
| 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 .

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, 2011

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2010 | Cash Receipts | Expenditures | Balance June 30, 2011 |
|---|---|------------------------------|-------------------------|------------------|------------------|--------------------------|
| <u>General Purpose School Fund</u> | | | | | | |
| Pass-Through State of Tennessee | | | | | | |
| 84.394 | ARRA - State Fiscal Stabilization Fund - Education State Grants - Recovery Act | U.S. Department of Education | \$ - | 1,002,373 | 1,002,373 | - |
| 84.397 | ARRA - Internet Connectivity - Recovery Act | U.S. Department of Education | - | 6,413 | 6,413 | - |
| 84.397 | ARRA - Coordinated School Health - Recovery Act | U.S. Department of Education | (33,552) | 93,079 | 85,000 | (25,473) * |
| 84.397 | ARRA - State-Wide Student Managment System - Recovery Act | U.S. Department of Education | - | 5,441 | 5,441 | - |
| 84.397 | ARRA - Safe Schools - Recovery Act | U.S. Department of Education | (4,980) | 15,077 | 12,000 | (1,903) * |
| | Total State Fiscal Stabilization Funds | | <u>(38,532)</u> | <u>120,010</u> | <u>108,854</u> | <u>(27,376)</u> |
| Pass-Through Tennessee Department of Human Services | | | | | | |
| 93.714 | ARRA -Supplemental Nutrition Assistance Program | Department of Human Services | - | 15,162 | 15,162 | - |
| Total General Purpose School Fund | | | <u>(38,532)</u> | <u>1,137,545</u> | <u>1,126,389</u> | <u>(27,376)</u> |

* Receivable

** Unused Revenue

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, 2011

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2010 | Cash Receipts | Expenditures | Balance June 30, 2011 |
|-------------------------------------|---|------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>School Federal Projects Fund</u> | | | | | | |
| Pass-Through State of Tennessee | | | | | | |
| 84.048 | Carl Perkins (Reserve) | U.S. Department of Education | - | 88,293 | 88,293 | - |
| 84.048 | Carl Perkins (CTE Program Improvements) | U.S. Department of Education | (5,014) | 39,033 | 41,329 | (7,310) * |
| | Total Carl Perkins | | (5,014) | 127,326 | 129,622 | (7,310) |
| 84.186 | Title IVA Drug Free Schools | U.S. Department of Education | (6,992) | 6,992 | - | - |
| 84.391 | ARRA - IDEA, Part B, Recovery Act | U.S. Department of Education | (5,301) | 195,810 | 190,509 | - |
| 84.027 | IDEA, Part B | U.S. Department of Education | (23,872) | 429,794 | 451,010 | (45,088) * |
| 84.392 | ARRA - IDEA, Preschool, Recovery Act | U.S. Department of Education | (1,945) | 6,983 | 6,358 | (1,320) * |
| 84.173 | IDEA, Preschool | U.S. Department of Education | - | 6,506 | 8,496 | (1,990) * |
| | Total IDEA | | (31,118) | 639,093 | 656,373 | (48,398) |

* Receivable

** Unused Revenue

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, 2011

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2010 | Cash Receipts | Expenditures | Balance June 30, 2011 |
|---|---|------------------------------|-------------------------|------------------|--------------|--------------------------|
| <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 | - | 2,535 | 3,431 | (896) * |
| 84.196 | Title X McKinney Vento-Homeless Total Title X | U.S. Department of Education | (16,398) | 19,736 | 23,560 | (20,222) * |
| | | | (16,398) | 22,271 | 26,991 | (21,118) |
| 84.010 | Title I, Project | U.S. Department of Education | (59,489) | 713,961 | 703,411 | (48,939) * |
| 84.389 | ARRA - Title I, Project, Recovery Act Total Title I | U.S. Department of Education | (12,556) | 251,205 | 266,064 | (27,415) * |
| | | | (72,045) | 965,166 | 969,475 | (76,354) |
| 84.048 | Title II, Part A | U.S. Department of Education | (52,487) | 168,029 | 117,857 | (2,315) * |
| 84.048 | Title II, Part D Total Title II | U.S. Department of Education | (7,780) | 7,780 | 2,600 | (2,600) * |
| | | | (60,267) | 175,809 | 120,457 | (4,915) |
| 84.395 | First to the Top | U.S. Department of Education | - | 163,215 | 166,254 | (3,039) * |
| 84.410 | Federal Jobs Program | U.S. Department of Education | - | 76,763 | 109,153 | (32,390) * |
| Pass-Through Tennessee Department of Human Services | | | | | | |
| 84.126 | Vocational Rehabilitation GG-08-22046 | Department of Human Services | (3,276) | 21,955 | 20,730 | (2,051) * |
| Total School Federal Projects Fund | | | (195,110) | 2,198,590 | 2,199,055 | (195,575) |

* Receivable

** Unused Revenue

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, 2011

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2010 | Cash Receipts | Expenditures | Balance June 30, 2011 |
|--|--|-------------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>School Nutrition Fund</u> | | | | | | |
| Pass-Through State of Tennessee | | | | | | |
| 10.533 | National School Breakfast Program | U.S. Department of Agriculture | (766) | 122,594 | 121,828 | - |
| 10.555 | National School Lunch Program | U.S. Department of Agriculture | (6,185) | 394,873 | 388,688 | - |
| 10.555 | National Snack Reimbursement | U.S. Department of Agriculture | - | 4,981 | 4,981 | - |
| 10.579 | ARRA - Child Nutrition - Recovery Act | U.S. Department of Agriculture | - | - | 6,355 | (6,355) * |
| Pass-Through Tennessee Department of Agriculture | | | | | | |
| 10.550 | USDA: Commodity Supplemental Feeding- Commodities Distributed | Tennessee Department of Agriculture | - | 37,668 | 37,668 | - |
| Total School Nutrition Fund | | | (6,951) | 560,116 | 559,520 | (6,355) |
| TOTAL FEDERAL GRANTS | | | \$ (240,593) | 3,896,251 | 3,884,964 | (229,306) |

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

* Receivable

** Unused Revenue

ELIZABETHTON, 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, 2011

| CFDA Number | Program Name/Grant Number | Grantor Agency | Balance July 1, 2010 | Cash Receipts | Expenditures | Balance June 30, 2011 |
|------------------------------------|---------------------------|-------------------------------------|-------------------------|------------------|--------------|--------------------------|
| <u>General Purpose School Fund</u> | | | | | | |
| N/A | Other State Funds | Tennessee Department of Education | \$ - | 1,176 | 1,176 | - |
| N/A | Early Childhood Grant | Tennessee Department of Education | (130,217) | 449,788 | 393,608 | (74,037) * |
| N/A | Basic Education Program | Tennessee Department of Education | - | 8,478,527 | 8,869,627 | (391,100) * |
| N/A | Driver's Education | Tennessee Department of Education | - | 9,783 | 9,783 | - |
| N/A | Career Ladder | Tennessee Department of Education | (571) | 103,789 | 104,744 | (1,526) * |
| N/A | Extended Contract | Tennessee Department of Education | (91,587) | 91,587 | 93,944 | (93,944) * |
| Total General Purpose School Fund | | | (222,375) | 9,134,650 | 9,472,882 | (560,607) |
| <u>School Nutrition Fund:</u> | | | | | | |
| N/A | State Matching Funds | Tennessee Department of Agriculture | - | 9,245 | 9,245 | - |
| Total School Nutrition Fund | | | 0 | 9,245 | 9,245 | 0 |
| TOTAL STATE GRANTS | | | \$ (222,375) | 9,143,895 | 9,482,127 | (560,607) |

* Receivable

** Unused Revenue

SECTION II

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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 fiscal year ended June 30, 2011, which collectively comprise the Elizabethton, Tennessee City Schools' basic financial statements and have issued our report thereon dated November 14, 2011. 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting: 2011-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

We noted certain matters that we reported to management of the Elizabethton, Tennessee City Schools in a separate letter dated November 14, 2011.

The Elizabethton, Tennessee City Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Elizabethton, Tennessee City Schools' response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Elizabethton, Tennessee City Schools' 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

November 14, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have direct and material effect on each of the Elizabethton, Tennessee City Schools' major federal programs for the fiscal year ended June 30, 2011. 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 fiscal year ended June 30, 2011.

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 the 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, 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

November 14, 2011

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

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. One significant deficiency relating to the audit of the financial statements of the Elizabethton, Tennessee City Schools was 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; Child Nutrition, CFDA #10.550; USDA School Breakfast Program, CFDA #10.533, USDA ARRA, CFDA #10.579 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.

ELIZABETHTON, TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

CURRENT YEAR FINDINGS

2011-01: Significant Deficiency: Audit Adjustment

Condition: Under current professional standards, the Schools' are responsible for the internal control process which includes the preparation of year end financial statements in accordance with generally accepted accounting principles and the modified accrual basis of accounting. An audit adjustment was necessary to properly state account balances for State of Tennessee payments for retirees insurance.

Criteria: General ledger accounts should be timely reviewed, reconciled to the corresponding subsidiary reports and adjusted.

Effect: The effect of this deficiency creates the probability that misstatements may not be timely noted or corrected, and thus, an audit adjustment would be necessary.

Recommendation: We recommend a procedure be in place to prepare routine, monthly and year end reconciliations for general ledger accounts to the supporting documentation and subsidiary ledgers and to make related adjustments. The procedure should require retention of supporting documentation for all entries and transfers, including indication of appropriate review and approval. These reconciliations and adjustments will ensure meaningful and accurate financial statements. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed.

Management's Response: In 2011-2012, appropriate entries will be made to reflect on-behalf payments for medical insurance for retired employees.