

**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, 2012**

ELIZABETHTON 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, 2012

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
TABLE OF CONTENTS  
For the Fiscal Year Ended June 30, 2012

---

**I. FINANCIAL SECTION**

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Purpose School Fund	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - School Federal Projects Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - School Nutrition Fund	28
Notes to the Financial Statements	30
Required Supplementary Information	
Schedule of Funding Progress	46
Schedule of Funding Progress of Post-Retirement Benefits Other than Pensions	47
Supplementary Information	
Schedule of Expenditures of Federal Awards	48
Schedule of Expenditures of State Awards	51
Schedule of Salaries and Official Bonds of Principal Officials	52

**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 <i>Government Auditing Standards</i>	53
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	55
Schedule of Findings and Questioned Costs	57

SECTION I  
FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Elizabethton City School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Elizabethton 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, 2012, 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 City Schools, a component unit of the City of Elizabethton, Tennessee as of June 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparisons for each fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the Elizabethton 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.

Director of Schools and School Board Members  
Elizabethton Tennessee City Schools

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and schedule of funding progress of post-retirement benefits other than pensions on pages 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 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 and schedule of salaries and official bonds of principal officials 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 schedules of expenditures of federal and state awards have 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. The schedule of salaries and official bonds of principal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

November 19, 2012



ELIZABETHTON CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

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, 2012. 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 even though only a small amount of funds were received for the American Reinvestment and Recovery Act (ARRA stimulus funding) and the expenditures for the maintenance of the facilities and technology needs increased. Also, capital projects which were in progress at June 30, 2011 were completed during the year and no major projects were in progress at June 30, 2012. Total net assets decreased by 2.6% over the course of the year.

- The total General Purpose fund balance increased by \$466,113 and the School Nutrition increased by \$28,331.
- A new flight stimulator and a brake lathe were placed in the Center Technical Education Department at Elizabethton High School.
- A 78-passenger school bus and a maintenance van were purchased.
- The additions of a gymnasium and classrooms at West Side and at East Side Elementary Schools were completed.
- The renovations for classrooms at Elizabethton High School were completed.

**Overview of the Financial Statements**

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

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

***Government-Wide Statements***

The government-wide statements report information about the school system as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

ELIZABETHTON CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

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

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

***Fund Financial Statements***

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

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

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

Condensed Statement of Net Assets

	Governmental Activities		Total % Change 2011-2012
	2011	2012	
Current and Other Assets	\$ 4,750,926	5,357,934	12.8%
Capital Assets	14,704,180	14,520,112	-1.3%
Total Assets	19,455,106	19,878,046	2.2%
Current Liabilities	3,076,539	3,220,169	4.7%
Long-Term Liabilities	1,852,350	2,516,313	35.8%
Total Liabilities	4,928,889	5,736,482	16.4%
Net Assets Invested in Capital Assets	14,704,180	14,520,112	-1.3%
Unrestricted	(177,963)	(378,548)	112.7%
Total Net Assets	\$ 14,526,217	14,141,564	-2.6%

Net Assets

The Board's Current and Other Assets increased by 12.8% during the 2011-2012 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 lack of increase in Capital Assets is the result of Construction in Progress at June 30, 2011 from funds generated by the bond issue from the City of Elizabethton, which are fully expended.



ELIZABETHTON CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

The Board's financial position is the product of many factors. During the 2011-2012 fiscal year, local tax revenue and state BEP funds realized an additional increase due to the continued increase in student enrollment. The capital outlay projects of additions of a gymnasium and classrooms at West Side Elementary and renovations to classrooms at Elizabethton High School were completed. A flight simulator and brake lathe were purchased for the Career Technical Education Department at Elizabethton High School. Also, a 78-passenger school bus and a maintenance van were purchased. Construction in progress included the architectural drawings for renovation of the old gymnasium at East Side Elementary.

Changes in Net Assets from Operating Results

	Governmental Activities		Total % Change 2011-2012
	2011	2012	
Revenues			
Program Revenues			
Charges for Services	\$ 653,022	617,055	-5.5%
Operating Grants	6,873,435	5,730,588	-16.6%
Capital Grants and Contributions	2,165,917	-	-100.0%
General Revenues			
Property Taxes	1,970,970	2,490,899	26.4%
Other Taxes	1,767,472	1,922,684	8.8%
State Revenues	8,974,371	10,513,911	17.2%
Other	39,375	58,229	47.9%
Total Revenues	22,444,562	21,333,366	-5.0%
Expenses			
Instruction	12,757,345	12,759,662	0.0%
Student Services	879,202	894,520	1.7%
Instructional Staff Services	1,037,082	1,067,500	2.9%
General Administration	628,680	602,404	-4.2%
School Administration	970,578	1,005,284	3.6%
Business Services	265,370	282,397	6.4%
Plant Operation and Maintenance	2,310,170	2,509,320	8.6%
Student Transportation	243,497	301,654	23.9%
Central Services	355,578	508,398	43.0%
Support Services	80,358	258,903	222.2%
Food Service	906,974	945,197	4.2%
Community Services	137,651	175,861	27.8%
Early Childhood Education	404,220	406,919	0.7%
Total Expenses	20,976,705	21,718,019	3.5%
Increase (Decrease) in Net Assets	1,467,857	(384,653)	
Beginning Net Assets	13,058,360	14,526,217	
Ending Net Assets	\$ 14,526,217	14,141,564	

The total cost of all programs and services rose 3.5% to \$21.7 million. The Board's expenses are predominately related to instructing, servicing, and transporting students (79.7% of total costs). The Board's administrative and business activities accounted for 8.7% of total costs. The operation and maintenance of facilities accounted for 11.6% of total costs. The total increase of 3.5% reflects increased spending due to a new grant for the after school program, expenditures from the final year of the Federal Jobs Program, and increased expenditures for the maintenance of facilities and technology equipment.

ELIZABETHTON CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

**Governmental Activities**

Revenues for the Board's governmental activities decreased by 5.0%, while total expenses increased by 3.5%. The decrease in net assets for governmental activities was \$384,653 in 2012.

**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 \$2,099,147, which were more than last year's ending fund balances of \$1,603,937. This increase is mainly due to conservative efforts to prepare the system to continue into the future.

The Board's governmental funds experienced revenues and other sources more than expenditures in 2012 as follows:

General Purpose	\$466,113
Federal Projects	\$ 766
Child Nutrition	\$ 28,331

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 \$18,452,207 of revenues and other sources would be received, the Board received \$13,671 less than anticipated. The Board budgeted \$18,485,740 of expenditures. The actual expenditures of \$17,972,423 were \$513,317 under budget.

**Capital Asset and Debt Administration**

By the end of 2012, the Elizabethton City Schools had invested \$14.5 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents a decrease of \$184,068 or 1.3% from last year. (More detailed information about assets can be found in the notes to the financial statements.) Total depreciation expense for the year totaled \$504,165, while building improvements and additions to equipment amounted to \$4,807,052 (net of decreases.)

ELIZABETHTON CITY SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

Capital Assets (Net of Depreciation)

	Governmental Activities		Total %
	2011	2012	Change
			2011-2012
Land	\$ 216,170	216,170	0.0%
Construction In Progress	4,550,719	63,764	-98.6%
Buildings	9,312,997	13,476,091	44.7%
Equipment and Vehicles	624,294	764,087	22.4%
Total Assets	<u>\$ 14,704,180</u>	<u>14,520,112</u>	-1.3%

The Board's fiscal year 2012 capital expenditures consisted of additions of a gymnasium and classrooms at West Side Elementary and at East Side Elementary and renovations to classrooms at Elizabethton High School. A flight simulator was purchased for the Career Technical Education Department at Elizabethton High School. Also, a 78-passenger school bus was purchased. Construction in progress included the architectural drawings for renovation of the old gymnasium at East Side Elementary.

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

- Planning for increasing insurance and benefit costs
- Ensuring that students and teachers have appropriate and adequate resources available to meet the goals set for academic achievement
- Providing electronic access for student testing
- Increasing Career Technical Education courses for students
- Providing for the safety and security of our students

**Contacting the Board's Financial Management**

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities
<hr/>	
ASSETS	
Cash	\$ 1,917,623
Accounts Receivable	6,647
Due from Other Governments	695,581
Due from Carter County	2,706,747
Inventories	31,336
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	63,764
Capital Assets, Net of Accumulated Depreciation	
Buildings	13,476,091
Equipment	764,087
Total Assets	<u>19,878,046</u>
LIABILITIES	
Cash Overdraft	24,276
Accounts Payable	568,833
Unearned Revenues	2,627,060
Long-Term Liabilities	
Due Within One Year	3,138
OPEB Liability	2,475,023
Due Within More Than One Year	38,152
Total Liabilities	<u>5,736,482</u>
NET ASSETS	
Invested in Capital Assets	14,520,112
Unrestricted	<u>(378,548)</u>
TOTAL NET ASSETS	<u>\$ 14,141,564</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012

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	\$ 9,661,627	296,661	4,101,571	-	(5,263,395)
Special Education	2,089,834	-	550,296	-	(1,539,538)
Vocational Education	845,692	-	39,462	-	(806,230)
Other	162,509	-	-	-	(162,509)
Total Instruction	12,759,662	296,661	4,691,329	0	(7,771,672)
Support Services					
Student Services	894,520	-	21,910	-	(872,610)
Instructional Staff	1,067,500	-	-	-	(1,067,500)
General Administrative	602,404	-	-	-	(602,404)
School Administrative	1,005,284	-	-	-	(1,005,284)
Business Administrative	282,397	-	-	-	(282,397)
Plant Operation and Maintenance	2,509,320	-	-	-	(2,509,320)
Student Transportation	301,654	-	-	-	(301,654)
Support Services	258,903	-	-	-	(258,903)
Central Services	508,398	-	-	-	(508,398)
Total Support Services	7,430,380	0	21,910	0	(7,408,470)
Food Service	945,197	320,394	622,830	-	(1,973)
Community Services	175,861	-	-	-	(175,861)
Early Childhood Education	406,919	-	394,519	-	(12,400)
Total Governmental Activities	21,718,019	617,055	5,730,588	0	(15,370,376)
General Revenues					
Payments from Carter County					
Property Taxes					2,490,899
Sales Taxes					1,831,744
Other Taxes					90,940
Other Local Governments					1,400
State Aid					10,513,911
Unrestricted Investment Earnings					14,522
Miscellaneous					635
Contributions and Donations not Restricted to Specific Programs					41,672
Total General Revenues					14,985,723
Change in Net Assets					(384,653)
Net Assets - Beginning					14,526,217
Net Assets - Ending					\$ 14,141,564

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash in Bank	\$ 1,659,441	-	258,182	1,917,623
Accounts Receivable	5,912	-	735	6,647
Due from Other Governments	642,520	53,061	-	695,581
Due from Carter County	2,706,747	-	-	2,706,747
Inventories	-	-	31,336	31,336
<b>TOTAL ASSETS</b>	<b>\$ 5,014,620</b>	<b>53,061</b>	<b>290,253</b>	<b>5,357,934</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash Overdraft	\$ -	24,276	-	24,276
Accounts Payable	539,780	27,961	1,092	568,833
Deferred Revenue	2,665,678	-	-	2,665,678
<b>Total Liabilities</b>	<b>3,205,458</b>	<b>52,237</b>	<b>1,092</b>	<b>3,258,787</b>
<b>FUND BALANCES</b>				
Non-Spendable				
Inventories	-	-	31,336	31,336
Restricted for				
Education	315,538	824	-	316,362
Operations of Noninstructional Program	-	-	257,825	257,825
Assigned to				
Community Involvement	5,259	-	-	5,259
Early Learning Center	38	-	-	38
East Side Parking	100,000	-	-	100,000
Heal Apply Grant	353	-	-	353
Homeless Donation	300	-	-	300
T.A. Dugger Ball Fields	200,000	-	-	200,000
Technology	79,307	-	-	79,307
Bus	81,212	-	-	81,212
Energy Controls	33,230	-	-	33,230
After School	13,759	-	-	13,759
Early Learning Center	3,557	-	-	3,557
Unassigned	976,609	-	-	976,609
<b>Total Fund Balances</b>	<b>1,809,162</b>	<b>824</b>	<b>289,161</b>	<b>2,099,147</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,014,620</b>	<b>53,061</b>	<b>290,253</b>	<b>5,357,934</b>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012

---

Total Fund Balances - Governmental Funds	\$ 2,099,147
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 \$24,393,925 and the accumulated depreciation is \$(9,873,813).	14,520,112
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	38,618
OPEB benefits represent liabilities of the School System that are not recorded at the fund level.	(2,475,023)
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>(41,290)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 14,141,564</u></u>

See accompanying notes to the basic financial statements.



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>REVENUES</b>				
Payments from County and City	\$ 6,775,555	-	-	6,775,555
Revenue from State of Tennessee	11,285,820	-	21,417	11,307,237
Revenue from Federal Government	-	1,976,861	601,413	2,578,274
Revenue from Federal Government - ARRA	-	5,077	-	5,077
Charges for Services	296,661	-	320,394	617,055
Investment Earnings	13,020	-	1,502	14,522
Other	67,480	-	-	67,480
Total Revenues	<u>18,438,536</u>	<u>1,981,938</u>	<u>944,726</u>	<u>21,365,200</u>
<b>EXPENDITURES</b>				
Instruction				
Regular Instruction	8,460,975	888,713	-	9,349,688
Special Education	1,494,984	531,168	-	2,026,152
Vocational Education	742,096	77,826	-	819,922
Student Body	157,557	-	-	157,557
Support Services				
Student Services	867,262	-	-	867,262
Instructional Staff	814,682	220,289	-	1,034,971
General Administrative	584,047	-	-	584,047
School Administrative	974,651	-	-	974,651
Business Administrative	273,792	-	-	273,792
Plant Operation and Maintenance	1,944,053	-	-	1,944,053
Student Transportation	280,300	12,162	-	292,462
Central Services	492,906	-	-	492,906
Other Support Services	-	251,014	-	251,014
Food Services	-	-	916,395	916,395
Community Services	170,502	-	-	170,502
Early Childhood Education	394,519	-	-	394,519
Capital Outlay	320,097	-	-	320,097
Total Expenditures	<u>17,972,423</u>	<u>1,981,172</u>	<u>916,395</u>	<u>20,869,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>466,113</u>	<u>766</u>	<u>28,331</u>	<u>495,210</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,500	149,867	-	153,367
Transfers Out	(3,500)	(149,867)	-	(153,367)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	466,113	766	28,331	495,210
FUND BALANCES, JULY 1, 2011	<u>1,343,049</u>	<u>58</u>	<u>260,830</u>	<u>1,603,937</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 1,809,162</u>	<u>824</u>	<u>289,161</u>	<u>2,099,147</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012

---

Total Net Change in Fund Balances - Governmental Funds	\$ 495,210
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$504,165 exceeds capital outlay expense of \$320,097.	(184,068)
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.	(31,832)
In the Statement of Activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the fiscal year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current fiscal year.	(8,017)
Liability for OPEB benefits are not reported in the governmental funds.	<u>(655,946)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (384,653)</u></u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	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	\$ 1,910,000	1,854,075	1,831,744	(22,331)
County Property Tax	2,004,375	2,574,255	2,591,012	16,757
Other Local Tax	22,100	20,930	20,799	(131)
City of Elizabethton				
Contributions	2,432,000	2,332,000	2,332,000	-
Total Payments from County and City	6,368,475	6,781,260	6,775,555	(5,705)
INTERGOVERNMENTAL REVENUES				
Federal Through State of Tennessee				
Career Ladder Extended Contracts - ARRA	93,360	-	-	-
State of Tennessee				
Basic Education Program	9,960,000	10,317,000	10,317,000	-
Driver Education	8,000	9,350	9,336	(14)
Career Ladder Program	109,194	104,617	103,911	(706)
Career Ladder - Extended Contract	-	93,000	93,000	-
Early Childhood Education	393,608	394,519	394,519	-
Other State Education Funds	104,000	368,056	368,054	(2)
Total Intergovernmental Revenues	10,668,162	11,286,542	11,285,820	(722)
MISCELLANEOUS REVENUES				
Tuition	313,340	303,390	296,661	(6,729)
Rental of School Property	1,500	650	635	(15)
Interest Income	15,000	13,025	13,020	(5)
Donations	200	41,675	41,672	(3)
Marriage Licenses	600	600	600	-
Other Local Revenues	2,000	1,800	1,402	(398)
E-Rate Funding	2,500	22,000	21,910	(90)
Mixed Drinks	2,500	1,265	1,261	(4)
Total Miscellaneous Revenues	337,640	384,405	377,161	(7,244)
TOTAL REVENUES	17,374,277	18,452,207	18,438,536	(13,671)

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	5,485,932	5,626,082	5,615,609	10,473
Career Ladder Program	55,500	54,000	54,000	-
Career Ladder - Extended Contract	80,000	79,690	78,090	1,600
Homebound Teachers	7,500	7,500	2,955	4,545
Educational Assistants	183,143	182,393	156,714	25,679
Other Salaries and Wages	30,000	56,075	56,056	19
Certified Substitute Teachers	25,000	25,000	20,114	4,886
Non-Certified Substitute Teachers	75,000	100,000	82,346	17,654
Social Security	368,412	372,213	362,932	9,281
State Retirement	525,577	530,225	530,079	146
Life Insurance	12,285	12,410	12,407	3
Medical Insurance	952,312	1,004,488	988,266	16,222
Dental Insurance	49,620	53,070	46,564	6,506
Medicare	86,152	87,185	85,304	1,881
Other Contracted Services	1,800	1,800	70	1,730
Instructional Supplies	94,000	94,000	91,463	2,537
Textbooks	220,000	249,000	249,000	-
Other Supplies and Materials	21,120	29,270	29,006	264
Total Instruction - Regular Instruction	<u>8,273,353</u>	<u>8,564,401</u>	<u>8,460,975</u>	<u>103,426</u>
Instruction - Special Education				
Teachers	678,746	679,676	679,964	(288)
Career Ladder Program	7,500	7,800	7,800	-
Homebound Teachers	2,000	2,000	420	1,580
Educational Assistants	173,774	173,079	172,001	1,078
Speech Pathologist	92,791	100,771	100,746	25
Certified Substitute Teachers	2,000	4,650	4,631	19
Non-Certified Substitute Teachers	8,500	25,500	25,480	20
Other Salaries and Wages	5,544	5,544	4,891	653
Social Security	60,196	59,803	59,373	430
State Retirement	85,957	85,571	84,182	1,389
Life Insurance	2,160	2,160	2,115	45
Medical Insurance	202,385	225,042	202,395	22,647
Dental Insurance	10,671	11,196	9,713	1,483
Medicare	14,076	14,025	13,930	95
Other Contracted Services	94,000	112,028	109,981	2,047

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	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	6,299	3,201
Other Supplies and Materials	1,000	4,461	3,197	1,264
Other Charges	6,000	6,000	419	5,581
Special Education Equipment	-	7,485	7,447	38
Total Instruction - Special Education	<u>1,456,800</u>	<u>1,536,291</u>	<u>1,494,984</u>	<u>41,307</u>
Instruction - Vocational Education				
Teachers	528,040	525,790	523,386	2,404
Career Ladder Program	5,000	6,000	6,000	-
Certified Substitute Teachers	500	1,050	1,040	10
Non-Certified Substitute Teachers	5,500	8,925	8,906	19
Social Security	33,420	33,332	32,860	472
State Retirement	48,242	48,137	47,909	228
Life Insurance	1,080	1,080	1,080	-
Medical Insurance	80,397	89,056	84,978	4,078
Dental Insurance	4,252	4,652	4,550	102
Medicare	7,816	7,795	7,685	110
Maintenance and Repair - Equipment	2,500	2,500	169	2,331
Instructional Supplies	19,000	21,900	21,858	42
Other Supplies and Charges	1,000	1,675	1,675	-
Total Instruction - Vocational Education	<u>736,747</u>	<u>751,892</u>	<u>742,096</u>	<u>9,796</u>
Instruction - Student Body				
Other Salaries and Wages	115,000	119,000	117,915	1,085
Social Security	7,130	7,130	6,818	312
State Retirement	8,235	8,235	7,604	631
Employer Medicare	1,670	1,670	1,592	78
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	6,800	19,300	19,228	72
Total Instruction - Student Body	<u>143,235</u>	<u>159,735</u>	<u>157,557</u>	<u>2,178</u>
Total Instructional Expenditures	<u>10,610,135</u>	<u>11,012,319</u>	<u>10,855,612</u>	<u>156,707</u>
Support Services				
Student Services - Attendance				
Supervisor/Director	1,200	1,200	1,200	-
Secretary(ies)	32,698	32,698	32,573	125
Social Security	2,101	2,101	1,894	207
State Retirement	2,983	2,983	2,972	11
Life Insurance	45	45	45	-
Medical	5,800	6,975	6,963	12
Dental	315	315	307	8

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance (Continued)				
Medicare	491	491	443	48
Other Supplies and Materials	750	750	704	46
Travel	3,000	3,600	3,545	55
Total Student Services - Attendance	49,383	51,158	50,646	512
Student Services - Health Services				
Supervisor/Director	50,577	49,302	49,300	2
Medical Personnel	111,846	111,396	108,521	2,875
Social Security	10,070	9,925	9,292	633
State Retirement	14,623	14,343	13,949	394
Life Insurance	360	360	355	5
Medical Insurance	29,460	34,845	34,704	141
Dental Insurance	1,907	1,897	1,815	82
Medicare	2,355	2,330	2,173	157
Travel	725	725	376	349
Other Contracted Services	5,000	1,200	1,200	-
Other Supplies and Materials	11,710	21,005	20,499	506
Other Charges	750	750	209	541
In-Service/Staff Development	6,000	4,400	4,385	15
Total Student Services - Health Services	245,383	252,478	246,778	5,700
Student Services - Other Student Support				
Career Ladder Program	2,000	1,000	1,000	-
Guidance Personnel	282,078	280,948	274,767	6,181
Secretaries	94,060	93,685	88,902	4,783
Social Security	23,446	23,289	21,646	1,643
State Retirement	33,978	33,753	32,771	982
Life Insurance	765	765	765	-
Medical Insurance	68,500	73,090	71,904	1,186
Dental Insurance	3,500	3,500	3,374	126
Medicare	5,481	5,442	5,062	380
Evaluation and Testing	12,000	20,000	20,238	(238)
Other Contracted Services	45,000	60,000	42,569	17,431
Other Charges	6,000	6,500	6,500	-
Other Supplies and Materials	-	340	340	-
Total Student Services - Other Student Support	576,808	602,312	569,838	32,474
Total Student Services Support Services	871,574	905,948	867,262	38,686

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
<b>Instructional Staff</b>				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	111,932	119,522	119,142	380
Career Ladder Program	8,000	11,000	11,000	-
Librarians	225,725	229,725	229,707	18
Secretary	8,174	16,412	16,286	126
Social Security	24,956	26,047	24,580	1,467
State Retirement	36,099	38,388	38,385	3
Life Insurance	654	699	697	2
Medical Insurance	64,190	70,935	67,070	3,865
Dental Insurance	3,105	3,228	3,080	148
Medicare	5,836	6,032	5,749	283
Maintenance and Repair - Equipment	5,900	5,900	5,900	-
Travel	1,000	1,000	603	397
Library Books/Media	36,700	36,700	35,812	888
Other Contracted Services	-	9,990	9,990	-
Other Supplies and Materials	2,500	2,500	160	2,340
In-Service/Staff Development	13,100	13,350	5,549	7,801
Other Charges	9,000	4,000	-	4,000
Education Media Personnel	48,665	48,475	48,474	1
Total Instructional Staff Services - Regular Instruction	<u>605,536</u>	<u>643,903</u>	<u>622,184</u>	<u>21,719</u>
<b>Instructional Staff Services - Special Education</b>				
Supervisor/Director	65,057	64,782	64,045	737
Secretaries	24,523	24,433	24,430	3
Social Security	5,554	5,534	5,429	105
State Retirement	8,044	8,014	7,943	71
Life Insurance	134	134	110	24
Medical Insurance	13,368	14,663	13,836	827
Dental Insurance	798	803	795	8
Medicare	1,300	1,300	1,270	30
Maintenance and Repair - Equipment	500	575	560	15
Travel	2,500	2,500	1,562	938
In-Service/Staff Development	3,500	6,000	5,585	415
Other Charges	2,500	5,500	2,224	3,276
Total Instructional Staff Services - Special Education	<u>127,778</u>	<u>134,238</u>	<u>127,789</u>	<u>6,449</u>

(Continued)



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Instructional Staff (Continued)				
Instructional Staff Services - Vocational Education				
Supervisor/Director	29,677	29,967	29,964	3
Career Ladder Program	1,800	1,800	1,800	-
Secretaries	21,101	21,016	21,016	-
Social Security	1,308	1,308	1,303	5
State Retirement	1,855	1,855	1,847	8
Life Insurance	45	45	45	-
Medical Insurance	7,548	7,323	7,294	29
Dental Insurance	471	471	460	11
Medicare	762	767	765	2
In-Service/Staff Development	3,700	3,700	215	3,485
Total Instructional Staff Services - Vocational Education	68,267	68,252	64,709	3,543
 Total Instructional Staff Support Services	 801,581	 846,393	 814,682	 31,711
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	50,000	50,000	23,038	26,962
Medicare	17	17	17	-
Audit Services	26,800	26,800	26,800	-
Dues and Memberships	7,750	8,350	8,050	300
Legal Services	24,000	24,000	5,566	18,434
Other Contracted Services	2,000	2,000	2,000	-
Liability Insurance	29,000	30,550	30,539	11
Premium on Corporate Surety Bonds	1,400	1,400	1,328	72
Trustee Commissions	70,000	70,000	68,875	1,125
Workers' Compensation	106,000	120,300	120,289	11
In-Service/Staff Development	7,750	7,800	7,794	6
Other Charges	2,000	2,000	990	1,010
Total General Admin. Svcs. - Board of Education	328,096	344,596	296,663	47,933
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	85,905	91,645	91,643	2
Career Ladder Program	1,000	600	600	-

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	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	39,042	38,897	38,896	1
Clerical Personnel	30,826	32,906	32,890	16
Other Salaries and Wages	4,800	4,800	4,800	-
Social Security	10,018	10,369	10,350	19
State Retirement	14,442	14,956	14,941	15
Life Insurance	180	180	180	-
Medical Insurance	19,350	18,775	17,820	955
Dental Insurance	950	950	920	30
Medicare	2,343	2,422	2,421	1
Advertising	3,500	3,500	3,130	370
Communication	35,000	45,000	46,534	(1,534)
Dues and Memberships	2,000	2,000	1,226	774
Postal Charges	7,000	7,000	5,328	1,672
Printing, Stationery and Forms	1,500	1,500	-	1,500
Travel	450	450	11	439
Other Contracted Services	7,000	7,000	3,218	3,782
Office Supplies	5,500	7,500	6,938	562
In-Service/Staff Development	3,400	3,400	522	2,878
Other Charges	6,475	6,475	5,016	1,459
Total General Admin. Svcs. - Office of the Superintendent	280,681	300,325	287,384	12,941
Total General Administrative Support Services	608,777	644,921	584,047	60,874
School Administrative				
School Administrative Services - Office of the Principal				
Principals	332,838	337,408	337,403	5
Career Ladder Program	13,000	8,500	8,500	-
Assistant Principals	239,704	238,454	226,784	11,670
Secretaries	113,708	129,758	129,758	-
Other Salaries and Wages	13,400	13,400	13,111	289
Social Security	44,171	43,634	42,585	1,049
State Retirement	62,987	63,419	63,416	3
Life Insurance	1,080	1,125	1,125	-
Medical Insurance	96,500	117,258	113,199	4,059
Dental Insurance	4,760	5,185	5,112	73
Medicare	10,339	10,234	9,981	253
Travel	2,000	2,350	2,013	337
Office Supplies	17,225	17,811	17,811	-
In-Service/Staff Development	2,500	4,900	3,853	1,047
Total School Administrative Support Services	954,212	993,436	974,651	18,785

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Business Administrative Services - Fiscal Services				
Supervisor/Director	70,278	70,006	70,006	-
Accountants/Bookkeepers	68,640	68,490	67,902	588
Secretaries	32,698	32,573	32,573	-
Clerical Personnel	23,067	24,732	24,729	3
Social Security	12,050	12,010	11,882	128
State Retirement	17,295	17,345	17,341	4
Life Insurance	270	270	266	4
Medical Insurance	36,296	35,221	31,973	3,248
Dental Insurance	1,889	1,889	1,687	202
Medicare	2,800	2,800	2,779	21
Data Processing Services	5,000	5,000	4,870	130
Dues and Subscriptions	125	125	25	100
Travel	500	500	95	405
Data Processing Supplies	750	750	636	114
Office Supplies	4,000	6,000	5,839	161
In-Service/Staff Development	3,000	3,000	279	2,721
Other Charges	1,000	1,000	910	90
Total Bus. Admin. Svcs. - Fiscal Services	279,658	281,711	273,792	7,919
Operation and Maintenance				
Operation and Maintenance - Operation of Plant				
Supervisor/Director	27,373	27,268	27,261	7
Custodial Personnel	275,533	274,433	267,228	7,205
Social Security	18,782	18,712	17,433	1,279
State Retirement	26,627	26,522	25,826	696
Life Insurance	900	900	900	-
Medical Insurance	127,620	126,795	126,519	276
Dental Insurance	6,731	6,731	6,518	213
Medicare	4,394	4,379	4,077	302
Other Contracted Services	65,000	65,000	58,505	6,495
Custodial Supplies	35,000	35,450	33,820	1,630
Electricity	465,000	465,000	460,832	4,168
Natural Gas	180,000	180,000	92,708	87,292
Water and Sewer	35,000	35,000	34,940	60
Boiler Insurance	4,500	4,700	4,680	20
Building and Contents Insurance	81,000	87,750	87,715	35
Other Charges	8,000	11,500	11,012	488
Total Oper. and Maint. - Operation of Plant	1,361,460	1,370,140	1,259,974	110,166

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Operation and Maintenance (Continued)				
Operation and Maintenance - Maintenance of Plant				
Supervisor/Director	15,834	15,774	15,522	252
Maintenance Personnel	186,512	185,772	177,196	8,576
Social Security	12,545	12,495	11,600	895
State Retirement	17,828	17,833	17,109	724
Life Insurance	248	248	248	-
Medical Insurance	33,217	32,222	32,007	215
Dental Insurance	1,654	1,654	1,597	57
Medicare	2,935	2,925	2,713	212
Laundry Service	3,000	4,000	3,617	383
Maintenance and Repair - Buildings	168,525	378,697	364,243	14,454
Maintenance and Repair - Equipment	1,800	1,800	320	1,480
Maintenance and Repair - Vehicles	4,000	7,200	6,676	524
Other Contracted Services	48,000	52,000	48,000	4,000
Other Equipment	-	3,100	3,100	-
In-Service/Staff Development	750	750	131	619
Total Oper. and Maint. - Maintenance of Plant	<u>496,848</u>	<u>716,470</u>	<u>684,079</u>	<u>32,391</u>
Total Operation and Maintenance Support Services	<u>1,858,308</u>	<u>2,086,610</u>	<u>1,944,053</u>	<u>142,557</u>
Student Transportation				
Supervisor/Director	2,500	2,500	2,500	-
Mechanics	7,500	7,725	7,720	5
Bus Drivers	64,372	72,372	72,346	26
Other Salaries and Wages	3,200	7,850	7,838	12
Social Security	4,810	5,245	5,046	199
State Retirement	6,642	7,307	7,293	14
Life Insurance	292	332	332	-
Medical Insurance	41,700	40,450	40,128	322
Dental Insurance	2,062	2,282	2,268	14
Medicare	1,124	1,239	1,200	39
Maintenance and Repair - Vehicles	5,250	5,250	2,748	2,502
Medical and Dental Services	2,000	2,000	1,802	198
Diesel Fuel	42,500	49,000	48,630	370
Gasoline	8,500	11,500	11,262	238
Tires and Tubes	4,000	11,000	10,645	355
Vehicle Parts	9,500	23,058	22,168	890
Vehicle Insurance	25,000	26,350	26,329	21
In-Service/Staff Development	1,000	1,000	950	50
Other Charges	3,500	9,500	9,095	405
Total Student Transportation Support Services	<u>235,452</u>	<u>285,960</u>	<u>280,300</u>	<u>5,660</u>

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Central Services				
Supervisor/Director	47,501	48,071	48,067	4
Data Processing Personnel	110,552	110,137	110,136	1
Social Security	9,800	9,765	9,386	379
State Retirement	14,017	14,037	14,031	6
Life Insurance	202	202	182	20
Medical Insurance	22,598	25,323	25,164	159
Dental Insurance	1,196	1,196	1,183	13
Medicare	2,291	2,291	2,195	96
Maintenance and Repair - Equipment	24,000	26,500	26,483	17
Travel	2,000	2,175	2,152	23
Other Contracted Services	55,000	75,000	77,147	(2,147)
Data Processing Supplies	10,000	10,000	8,700	1,300
Other Supplies and Materials	6,000	6,575	6,568	7
In-Service/Staff Development	2,000	2,000	2,000	-
Data Processing Equipment	27,500	183,000	159,512	23,488
Total Central Services Support Services	<u>334,657</u>	<u>516,272</u>	<u>492,906</u>	<u>23,366</u>
Total Support Services	<u>5,944,219</u>	<u>6,561,251</u>	<u>6,231,693</u>	<u>329,558</u>
Community Services				
Supervisor/Director	34,500	34,525	34,160	365
Other Salaries and Wages	54,300	88,357	76,337	12,020
Social Security	5,506	7,751	6,583	1,168
State Retirement	3,717	3,690	3,543	147
Life Insurance	90	95	90	5
Medical Insurance	5,800	5,660	5,627	33
Dental Insurance	315	330	307	23
Medicare	1,287	1,892	1,597	295
Travel	500	1,825	1,790	35
Food Supplies	2,500	1,800	1,018	782
Communication	-	800	690	110
Other Supplies and Materials	3,825	21,412	21,106	306
Other Charges	2,500	3,800	3,690	110
Other Equipment	-	6,050	6,056	(6)
Printing, Stationery, and Form	-	7,915	7,908	7
Total Community Services	<u>114,840</u>	<u>185,902</u>	<u>170,502</u>	<u>15,400</u>

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
Early Childhood Education				
Supervisor/Director	57,304	51,384	51,379	5
Teachers	80,104	87,709	87,709	-
Bus Drivers	14,363	13,813	13,810	3
Secretary(ies)	14,968	14,908	14,907	1
Educational Assistants	55,906	56,231	56,229	2
Custodian	11,904	12,909	12,905	4
Social Security	14,542	14,157	14,159	(2)
State Retirement	20,843	20,943	20,940	3
Life Insurance	585	585	582	3
Medical Insurance	62,000	62,405	62,406	(1)
Dental Insurance	3,225	3,145	3,144	1
Employer Medicare	3,401	3,316	3,311	5
Communication	4,400	3,575	3,572	3
Travel	700	525	521	4
Other Contracted Services	42,863	44,934	44,972	(38)
Other Charges	2,500	135	133	2
Instructional Supplies	4,000	3,845	3,840	5
Total Early Childhood Education	393,608	394,519	394,519	0
Capital Outlay - Regular				
Architects	10,000	39,500	30,393	9,107
Building Improvements	167,740	42,310	42,310	-
Building Construction	53,735	35,015	35,015	-
Equipment	80,000	214,924	212,379	2,545
Total Capital Outlay	311,475	331,749	320,097	11,652
Total Expenditures	17,374,277	18,485,740	17,972,423	513,317
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(33,533)	466,113	499,646
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	3,500	3,500	-
Transfers Out	-	(3,500)	(3,500)	-
Total Other Financing Sources (Uses)	0	0	0	0
NET CHANGE IN FUND BALANCES	-	(33,533)	466,113	499,646
FUND BALANCES, JULY 1, 2011	1,343,049	1,343,049	1,343,049	-
FUND BALANCES, JUNE 30, 2012	\$ 1,343,049	1,309,516	1,809,162	499,646

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
Title I	\$ 697,142	790,473	666,401	(124,072)
Title I - ARRA	-	5,077	5,077	-
Title II	109,346	136,312	101,151	(35,161)
Title X	18,570	12,000	12,000	-
Special Education (IDEA)	539,181	580,836	541,879	(38,957)
Special Education (Preschool)	10,824	13,334	8,417	(4,917)
Vocational Education	41,329	39,462	39,462	-
Federal Jobs Program	424,960	410,078	410,078	-
Race To The Top	199,924	237,540	176,572	(60,968)
Vocational Rehab	21,469	21,469	20,901	(568)
<b>TOTAL REVENUES</b>	<b>2,062,745</b>	<b>2,246,581</b>	<b>1,981,938</b>	<b>(264,643)</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Instruction - Regular Instruction				
Teachers	547,792	119,397	99,574	19,823
Educational Assistants	171,471	188,492	185,062	3,430
Assistant Principals	55,228	56,088	56,088	-
Other Salaries and Wages	13,340	275,800	274,805	995
Social Security	42,792	37,730	35,274	2,456
State Retirement	51,737	50,422	49,271	1,151
Life Insurance	1,305	1,336	1,336	-
Medical Insurance	120,060	118,823	115,240	3,583
Dental Insurance	6,023	5,721	5,700	21
Medicare	11,433	8,979	8,363	616
Equipment	-	40,425	7,586	32,839
Instructional Supplies and Materials	57,994	101,750	50,414	51,336
Total Instruction - Regular Instruction	<u>1,079,175</u>	<u>1,004,963</u>	<u>888,713</u>	<u>116,250</u>
Instruction - Special Education				
Teachers	57,083	75,083	67,730	7,353
Educational Assistants	280,053	298,748	283,513	15,235
Speech Pathologist	24,817	29,817	28,664	1,153
Other Salaries and Wages	3,000	3,000	1,495	1,505
Social Security	19,645	23,979	21,478	2,501
State Retirement	24,365	25,995	21,723	4,272
Life Insurance	900	925	783	142
Medical Insurance	113,778	70,778	77,047	(6,269)
Dental Insurance	5,491	5,491	4,396	1,095
Medicare	5,282	5,903	5,439	464
Instructional Supplies	2,500	-	-	-
Special Education Equipment	-	18,005	-	18,005
Other Contracted Services	8,392	14,825	16,265	(1,440)
Other Supplies and Materials	-	2,650	2,635	15
Total Instruction - Special Education	<u>545,306</u>	<u>575,199</u>	<u>531,168</u>	<u>44,031</u>

(Continued)



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Vocational Education				
Teachers	37,400	36,947	36,947	-
Social Security	2,319	2,291	2,291	-
State Retirement	3,385	3,344	3,343	1
Life Insurance	90	90	90	-
Medical Insurance	6,000	5,627	5,627	-
Dental Insurance	317	307	307	-
Medicare	542	536	536	-
Other Supplies and Materials	3,190	2,802	2,806	(4)
Vocational Instruction Equipment	24,837	25,805	25,879	(74)
Total Instruction - Vocational Education	78,080	77,749	77,826	(77)
Total Instructional Expenditures	1,702,561	1,657,911	1,497,707	160,204
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	77,954	70,039	70,039	-
Secretary	32,698	24,430	24,430	-
Other Salaries and Wages	12,227	12,032	12,006	26
Social Security	7,618	6,604	6,561	43
State Retirement	9,929	8,487	8,486	1
Life Insurance	135	115	115	-
Medical Insurance	11,715	9,500	9,496	4
Dental Insurance	629	516	515	1
Employer Medicare	1,781	1,544	1,534	10
Travel	18,000	23,210	11,621	11,589
Other Contracted Services	6,324	6,375	5,975	400
Other Supplies and Materials	5,050	9,820	4,765	5,055
In-Service/Staff Development	46,372	84,913	47,421	37,492
Other Equipment	11,500	18,525	17,325	1,200
Total Instructional Staff Services - Reg Instruction	241,932	276,110	220,289	55,821
Support Services - Student Transportation				
Bus Drivers	9,111	9,111	8,673	438
Other Salaries and Wages	1,620	1,620	1,570	50
Social Security	665	665	542	123
State Retirement	941	941	898	43
Life Insurance	45	45	45	-
Dental Insurance	317	317	307	10
Medicare	155	155	127	28
Total Student Transportation Support Services	12,854	12,854	12,162	692

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Other Support Services				
Health Services	53,340	26,144	26,144	-
Other Student Support	46,792	243,416	215,429	27,987
Special Education Support	3,000	8,000	8,739	(739)
Vocational Support	2,266	703	702	1
Total Other Support Services	<u>105,398</u>	<u>278,263</u>	<u>251,014</u>	<u>27,249</u>
Total Support Services	<u>360,184</u>	<u>567,227</u>	<u>483,465</u>	<u>83,762</u>
TOTAL EXPENDITURES	<u>2,062,745</u>	<u>2,225,138</u>	<u>1,981,172</u>	<u>243,966</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>21,443</u>	<u>766</u>	<u>(20,677)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	193,024	153,400	149,867	(3,533)
Transfers Out	<u>(193,024)</u>	<u>(153,400)</u>	<u>(149,867)</u>	<u>3,533</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	-	21,443	766	(20,677)
FUND BALANCES, JULY 1, 2011	<u>58</u>	<u>58</u>	<u>58</u>	<u>-</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 58</u>	<u>21501</u>	<u>824</u>	<u>(20,677)</u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL NUTRITION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 20,850	427,350	427,315	(35)
USDA Breakfast Claims	115,000	131,525	131,518	(7)
Snack Reimbursement	5,000	9,975	9,956	(19)
Commodities	359,500	32,675	32,624	(51)
State Matching	9,250	21,500	21,417	(83)
Total Intergovernmental Revenues	509,600	623,025	622,830	(195)
Charges for Services				
Meal Payment - Children	277,000	247,885	247,913	28
Meal Payment - Adults	24,000	27,875	27,863	(12)
Income from Breakfast	1,000	450	445	(5)
A La Carte Sales	54,500	38,125	38,107	(18)
Other Charges for Services	5,000	6,075	6,066	(9)
Total Charges for Services	361,500	320,410	320,394	(16)
Investment Earnings	2,000	1,525	1,502	(23)
<b>TOTAL REVENUES</b>	<b>873,100</b>	<b>944,960</b>	<b>944,726</b>	<b>(234)</b>
<b>EXPENDITURES</b>				
Food Services				
Supervisor/Director	37,190	37,190	37,036	154
Cafeteria Personnel	261,773	261,773	256,498	5,275
Other Salaries and Wages	3,500	3,500	2,675	825
Social Security	18,788	18,788	17,781	1,007
State Retirement	36,075	36,075	35,598	477
Life Insurance	855	855	851	4
Medical Insurance	122,000	122,000	115,318	6,682
Dental Insurance	6,510	6,510	6,135	375
Medicare	4,384	4,384	4,158	226
Maintenance/Repair - Equipment	8,000	8,000	3,861	4,139
Transportation	5,700	5,700	2,337	3,363
Travel	700	700	65	635
Food Supplies	343,000	391,225	378,900	12,325
Office Supplies	1,800	1,800	1,344	456
Other Supplies and Materials	25,000	28,235	27,699	536
In-Service/Staff Development	1,000	1,000	970	30
Other Charges	6,575	18,075	16,895	1,180
Equipment	2,500	8,700	8,274	426
<b>TOTAL EXPENDITURES</b>	<b>885,350</b>	<b>954,510</b>	<b>916,395</b>	<b>38,115</b>

(Continued)

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHOOL NUTRITION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,250)	(9,550)	28,331	37,881
FUND BALANCES, JULY 1, 2011	260,830	260,830	260,830	-
FUND BALANCES, JUNE 30, 2012	\$ 248,580	251,280	289,161	37,881

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The General Purpose School Fund, School Federal Projects Fund, and School Nutrition Fund are three funds of the Elizabethton, City Schools. The Schools are included as a discretely presented component unit in the financial report of the City of Elizabethton, Tennessee (the City). The Board 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 CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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 CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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 as non-spendable in the equity section of the funds' balance sheet.

Capital Assets

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

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

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

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

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 CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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 in non-spendable 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' take the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Schools' intend to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Purpose School Fund.

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

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



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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.

Actual expenditures exceeded those budgeted within the School Federal Projects Fund in Instruction-Vocational Education by \$77.

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 CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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 \$1,917,623 and the bank balance was \$2,518,425.

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, 2012

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	\$ 5,912	-	735	6,647
Due from Other Governments				
Federal and State	642,520	53,061	-	695,581
Carter County, Tax Allocation	<u>2,706,747</u>	<u>-</u>	<u>-</u>	<u>2,706,747</u>
Total Receivables	<u>\$ 3,355,179</u>	<u>53,061</u>	<u>735</u>	<u>3,408,975</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	\$ -	2,626,747
Other tax receivables	-	313
Property tax levied but not collected in period of availability	<u>38,618</u>	<u>-</u>
	<u>\$ 38,618</u>	<u>2,627,060</u>

On the fund financial statement level, deferred revenue is \$2,665,678 for the current fiscal year.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 216,170	-	-	216,170
Construction in Progress	4,550,719	63,764	(4,550,719)	63,764
Total Capital Assets, Not Being Depreciated	4,766,889	63,764	(4,550,719)	279,934
Capital Assets, Being Depreciated				
Buildings	17,997,410	4,594,673	-	22,592,083
Equipment	1,309,529	212,379	-	1,521,908
Total Capital Assets, Being Depreciated	19,306,939	4,807,052	0	24,113,991
Less Accumulated Depreciation For				
Buildings	(8,684,413)	(431,579)	-	(9,115,992)
Equipment	(685,235)	(72,586)	-	(757,821)
Total Accumulated Depreciation	(9,369,648)	(504,165)	0	(9,873,813)
Total Capital Assets, Being Depreciated, Net	9,937,291	4,302,887	0	14,240,178
Total Capital Assets, Net	\$ 14,704,180	4,366,651	(4,550,719)	14,520,112

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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, 2012:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 33,273	11,335	3,318	41,290	3,138
OPEB Liability	1,819,077	655,946	-	2,475,023	-
Governmental Activities					
Long-Term Liabilities	\$ 1,852,350	667,281	3,318	2,516,313	3,138

NOTE 4 - OTHER INFORMATION

Risk Management

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

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan

Plan Description

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

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

Funding Policy

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

Elizabethton, City Schools is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 8.79% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Elizabethton, City Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2012, Elizabethton, City School's annual pension cost of \$210,392 to TCRS was equal to Elizabethton, 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, 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, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 210,392	100%	\$ -
June 30, 2011	\$ 228,582	100%	\$ -
June 30, 2010	\$ 215,955	100%	\$ -

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

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost (Continued)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$6,838	\$7,411	\$573	92.27%	\$2,452	23.37%
July 1, 2009	\$5,684	\$5,684	\$0	100.00%	\$2,268	0.00%
July 1, 2007	\$5,388	\$5,388	\$0	100.00%	\$2,033	0.00%

Plan Description

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



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Plan Description (Continued)

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

Funding Policy

Most teachers are required by state statute to contribute 5.00% of salary of the plan. The employer contribution rate for Elizabethton City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 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, 2012, 2011 and 2010 were \$856,125, \$822,686, and \$570,804, respectively, equal to the required contributions for each year.

Post-Employment Healthcare Plan

Plan Description

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

Funding Policy

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

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 2012 are as follows:

Monthly Premiums – Retiree:

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

Monthly Premiums – Active:

PPO     \$469 to \$504 (single coverage)

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

	07/01/2011 - 06/30/2012
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 802,000
2. Interest on net OPEB Obligation	72,763
3. Adjustment to ARC	(77,237)
4. Annual OPEB Cost (Expense) (1+2+3)	797,526
5. Contribution made (assumed end of year)*	141,580
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	655,946
7. Net OPEB Obligation - beginning of year	1,819,077
8. Net OPEB Obligation - end of year (6 + 7)	\$ 2,475,023

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

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>
6/30/2012	Teacher and Local Government	\$ 797,526	17.7%	\$ 2,475,023
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

*Data not available for preceding year.*

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

---

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5.0 percent by fiscal year 2021. The rate includes a 2.5 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.

Total on-behalf payments were \$124,651.

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.

## REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FUNDING PROGRESS  
For the Fiscal Year Ended June 30, 2012

---

(Dollar amounts in thousands)

Actuarial Valuation <u>Date</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <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, 2011	\$6,838	\$7,411	\$573	92.27%	\$2,452	23.37%
July 1, 2009	\$5,684	\$5,684	\$0	100.00%	\$2,268	0.00%
July 1, 2007	\$5,388	\$5,388	\$0	100.00%	\$2,033	0.00%

ELIZABETHTON CITY SCHOOLS  
 (A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHEDULE OF FUNDING PROGRESS OF POST-RETIREMENT BENEFITS OTHER THAN  
 PENSIONS  
 For the Fiscal Year Ended June 30, 2012

---

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$0	\$5,923,000	\$5,923,000	0.00%	12,566,578	47.13%
July 1, 2010	\$0	\$5,606,000	\$5,606,000	0.00%	11,963,166	46.86%
July 1, 2009	\$0	\$5,589,000	\$5,589,000	0.00%	11,584,000	48.25%

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance June 30, 2012
<u>General Purpose School Fund</u>						
Pass-Through State of Tennessee						
84.397	ARRA - Coordinated School Health - Recovery Act	U.S. Department of Education	\$ (25,473)	25,473	-	-
84.397	ARRA - Safe Schools - Recovery Act	U.S. Department of Education	(1,903)	1,903	-	-
	Total State Fiscal Stabilization Funds					
	Total General Purpose School Fund		(27,376)	27,376	0	0
<u>School Federal Projects Fund</u>						
Pass-Through State of Tennessee						
84.048	Carl Perkins (CTE Program Improvements)	U.S. Department of Education	(7,310)	46,772	39,462	-
	Total Carl Perkins		(7,310)	46,772	39,462	0
84.027	IDEA, Part B	U.S. Department of Education	(45,088)	584,785	541,879	(2,182) *
84.392	ARRA - IDEA, Preschool, Recovery Act	U.S. Department of Education	(1,320)	1,320	-	-
84.173	IDEA, Preschool	U.S. Department of Education	(1,990)	10,407	8,417	-
	Total IDEA		(48,398)	596,512	550,296	(2,182)
			* Receivable	** Unused Revenue		



ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance June 30, 2012
<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	(896)	896	-	-
84.196	Title X McKinney Vento-Homeless	U.S. Department of Education	(20,222)	24,828	12,000	(7,394) *
	Total Title X		(21,118)	25,724	12,000	(7,394)
84.010	Title I, Project	U.S. Department of Education	(48,939)	715,348	666,409	-
84.389	ARRA - Title I, Project, Recovery Act	U.S. Department of Education	(27,415)	32,492	5,077	-
	Total Title I		(76,354)	747,840	671,486	0
84.048	Title II, Part A	U.S. Department of Education	(166)	99,085	99,734	(815) *
84.048	Title II, Part D	U.S. Department of Education	(2,600)	3,187	587	-
84.386	ARRA - Title II, Part D, Recovery Grant	U.S. Department of Education	(2,149)	2,978	829	-
	Total Title II		(4,915)	105,250	101,150	(815)
84.395	First to the Top	U.S. Department of Education	(3,039)	141,362	176,572	(38,249) *
84.410	Federal Jobs Program	U.S. Department of Education	(32,390)	442,468	410,078	0
Pass-Through Tennessee Department of Human Services						
84.126	Vocational Rehabilitation	Department of Human Services	(2,051)	18,531	20,901	(4,421) *
	GG-08-22046					
Total School Federal Projects Fund			(195,575)	2,124,459	1,981,945	(53,061)

\* Receivable

\*\* Unused Revenue

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance June 30, 2012
<u>School Nutrition Fund</u>						
Pass-Through State of Tennessee						
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	131,518	131,518	-
10.555	National School Lunch Program	U.S. Department of Agriculture	-	427,315	427,315	-
10.555	National Snack Reimbursement	U.S. Department of Agriculture	-	9,956	9,956	-
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	-	32,624	32,624	-
Total School Nutrition Fund			(6,355)	607,768	601,413	0
TOTAL FEDERAL GRANTS			<u>\$ (229,306)</u>	<u>2,759,603</u>	<u>2,583,358</u>	<u>(53,061)</u>

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

\* Receivable

\*\* Unused Revenue

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2012

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2011	Cash Receipts	Expenditures	Balance June 30, 2012
<u>General Purpose School Fund</u>						
N/A	Other State Funds	Tennessee Department of Education	\$ -	3,300	3,300	-
N/A	Coordinated School Health	Tennessee Department of Education	-	61,122	85,000	(23,878) *
N/A	LEAP	Tennessee Department of Education	-	91,621	120,487	(28,866) *
N/A	SSMS	Tennessee Department of Education	-	5,870	5,870	-
N/A	ConnectTenn	Tennessee Department of Education	-	7,959	7,959	-
N/A	Early Childhood Grant	Tennessee Department of Education	(74,037)	468,556	394,519	-
N/A	Basic Education Program	Tennessee Department of Education	(391,100)	10,708,100	10,317,000	-
N/A	Driver's Education	Tennessee Department of Education	-	9,336	9,336	-
N/A	Career Ladder	Tennessee Department of Education	(1,526)	97,561	103,911	(7,876) *
N/A	Extended Contract	Tennessee Department of Education	(93,944)	186,944	91,131	1,869 **
N/A	Safe Schools	Tennessee Department of Education	-	8,464	11,200	(2,736) *
N/A	Other State Funds	Tennessee Department of Education	-	1,239	1,239	-
Total General Purpose School Fund			<u>(560,607)</u>	<u>11,650,072</u>	<u>11,150,952</u>	<u>(61,487)</u>
<u>School Nutrition Fund</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	9,167	9,167	-
Total School Nutrition Fund			<u>0</u>	<u>9,167</u>	<u>9,167</u>	<u>0</u>
TOTAL STATE GRANTS			<u>\$ (560,607)</u>	<u>11,659,239</u>	<u>11,160,119</u>	<u>(61,487)</u>

\* Receivable

\*\* Unused Revenue

ELIZABETHTON CITY SCHOOLS  
 (A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
 SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS  
 June 30, 2012

Name	Title	Salary
E.C. Alexander	Director of Schools	\$ 97,043
Beth Wilson	Director of Finance	\$ 70,006

Principal Officials noted above are covered through insurance coverage by Tennessee Risk Management Trust including the following coverage:

Employee Fidelity	\$ 150,000	Each and every loss
Depositors' Forgery	\$ 150,000	Each and every loss
Money Orders and Counterfeit Papers	\$ 150,000	Each and every loss

\$500 deductible, each occurrence

See Independent Auditors' Report.

## SECTION II

### INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities and each major fund of the Elizabethton City Schools, a component unit of the City of Elizabethton, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Elizabethton City Schools' basic financial statements and have issued our report thereon dated November 19, 2012. 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

Management of the Elizabethton City Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Elizabethton 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 City Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elizabethton City Schools' internal control over financial reporting.

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

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

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

We noted certain matters that we reported to management of the Elizabethton City Schools in a separate letter dated November 19, 2012.

This report is intended solely for the information and use of the Elizabethton 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 19, 2012



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

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

Compliance

We have audited the Elizabethton City Schools', a component unit of the City of Elizabethton, Tennessee, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Elizabethton City Schools' major federal programs for the year ended June 30, 2012. Elizabethton, 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 City Schools' management. Our responsibility is to express an opinion on the Elizabethton 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 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 City Schools' compliance with those requirements.

In our opinion, the Elizabethton 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, 2012.



Elizabethton City Schools  
Independent Auditors' Report on  
Compliance with Requirements

Page 2

Internal Control Over Compliance

The management of the Elizabethton 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 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 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 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 19, 2012

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012

---

Section I - Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities and each major fund of the Elizabethton Tennessee City Schools, which is a component unit of the City of Elizabethton, Tennessee.
2. No significant deficiencies relating to the audit of the financial statements of the Elizabethton Tennessee City Schools were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Elizabethton Tennessee City Schools were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Elizabethton Tennessee City Schools expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were Title I, CFDA #84.010; Federal Jobs Program, CFDA #84.410; Child Nutrition, CFDA #10.550; USDA School Breakfast Program, CFDA #10.533 and USDA School Lunch Program, CFDA #10.555.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Elizabethton Tennessee City Schools was not determined to be a low-risk auditee.

ELIZABETHTON CITY SCHOOLS  
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012

---

CURRENT YEAR FINDINGS

*None*

PRIOR YEAR FINDINGS IMPLEMENTED

*2011-01: Significant Deficiency: Audit Adjustment*