

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

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

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

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

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**SECTION I**  
**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### **Opinions**

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

### **Emphasis of Matter**

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

### **Other Matters**

#### *Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by Governmental Auditing Standards**

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

*Blackburn, Childers & Steagall, P.L.C.*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 15, 2013

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

This section of the Elizabethton Board of Education's (the Board's) annual financial report presents the discussion and analysis of the Board's financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

**Financial Highlights**

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

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

**Overview of the Financial Statements**

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

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

***Government-Wide Statements***

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

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

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

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

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

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

***Fund Financial Statements***

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

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

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

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

**Condensed Statement of Net Position**

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

**Net Position**

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

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

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

**Changes in Net Position from Operating Results**

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

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

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

**Governmental Activities**

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

**Financial Analysis of the Board's Funds**

The financial performance of the Board as a whole is reflected in its governmental funds as well. As the Board completed the year, its governmental funds reported combined fund balances of \$1,964,326, which were less than last year's ending fund balances of \$2,099,147. This decrease is due to expending prior year funds designated for specific projects.

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

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

**General Fund Budgetary Highlights**

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

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

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

**Capital Asset and Debt Administration**

By the end of 2013, the Elizabethton City Schools had invested \$14.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer equipment, and school vehicles (mainly buses). This amount represents an increase of \$185,852 or 1.3% from last year. (More detailed information about assets can be found in the notes to the financial statements.) Total depreciation expense for the year totaled \$582,466, while building improvements and additions to equipment amounted to \$477,097 (net of decreases.)

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

**Capital Assets (Net of Depreciation)**

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

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

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

Planning for increasing insurance and benefit costs with ObamaCare

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

Providing electronic access for student testing (PARCC)

Increasing Career Technical Education courses for students

Providing for the safety and security of our students

Meeting the requirements of Differentiated Pay

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

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

**Contacting the Board's Financial Management**

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

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

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

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

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

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash in Bank	\$ 1,305,323	-	241,104	1,546,427
Accounts Receivable	20,322	-	424	20,746
Due from Other Governments	861,977	115,828	-	977,805
Due from Carter County	2,791,479	-	-	2,791,479
Inventories	-	-	28,567	28,567
<b>TOTAL ASSETS</b>	<b>\$ 4,979,101</b>	<b>115,828</b>	<b>270,095</b>	<b>5,365,024</b>
<b>LIABILITIES</b>				
Cash Overdraft	\$ -	101,277	-	101,277
Accounts Payable	526,575	14,551	1,389	542,515
<b>Total Liabilities</b>	<b>526,575</b>	<b>115,828</b>	<b>1,389</b>	<b>643,792</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenues - Current Property Tax	2,706,037	-	-	2,706,037
Deferred Revenues - Unavailable	50,869	-	-	50,869
<b>Total Deferred Inflows of Resources</b>	<b>2,756,906</b>	<b>0</b>	<b>0</b>	<b>2,756,906</b>
<b>FUND BALANCES</b>				
<b>Non-Spendable</b>				
Inventories	-	-	28,567	28,567
<b>Restricted for</b>				
Operations of Noninstructional Program	-	-	240,139	240,139
<b>Assigned to</b>				
Community Involvement	3,204	-	-	3,204
EHS Piano and EMS Simulator	30,500	-	-	30,500
Equipment	35,000	-	-	35,000
Homeless Donation	300	-	-	300
Maintenance Controls	75,000	-	-	75,000
T.A. Dugger	200,000	-	-	200,000
T.A. Dugger Ball Fields	120,000	-	-	120,000
Technology	81,413	-	-	81,413
Bus	81,212	-	-	81,212
After School	17,973	-	-	17,973
Early Learning Center	5,289	-	-	5,289
Unassigned	1,045,729	-	-	1,045,729
<b>Total Fund Balances</b>	<b>1,695,620</b>	<b>0</b>	<b>268,706</b>	<b>1,964,326</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,979,101</b>	<b>115,828</b>	<b>270,095</b>	<b>5,365,024</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 POSITION**  
**June 30, 2013**

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Total Fund Balances - Governmental Funds	\$ 1,964,326
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$25,126,621 and the accumulated depreciation is \$(10,420,657).	14,705,964
Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	50,869
OPEB benefits represent liabilities of the School System that are not due and payable in the current period and, therefore, are not recorded at the fund level.	(2,589,397)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(47,635)</u>
Total Net Position - Governmental Activities	<u><u>\$ 14,084,127</u></u>

See accompanying notes to the basic financial statements.

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

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

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Total Net Change in Fund Balances - Governmental Funds	\$ (134,821)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expense of \$770,185 exceeds depreciation expense of \$582,466.	187,719
The net effect if various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,867)
Because some property taxes and grants will not be collected for several months after the fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount for the current fiscal year.	12,251
In the Statement of Activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the fiscal year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. Compensated absences increased by this amount for the current fiscal year.	(6,345)
Liability for OPEB benefits are not reported in the governmental funds and increased by this amount for the current fiscal year.	<u>(447,870)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (390,933)</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, 2013**

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>				
General Administrative (Continued)				
General Administrative Services -				
Office of the Superintendent (Continued)				
Secretaries	40,290	40,290	40,290	-
Clerical Personnel	34,528	34,528	34,528	-
Other Salaries and Wages	4,800	4,800	4,800	-
Social Security	10,572	10,677	10,650	27
State Retirement	14,702	15,042	15,023	19
Life Insurance	180	180	180	-
Medical Insurance	17,385	17,660	17,657	3
Dental Insurance	945	945	920	25
Medicare	2,473	2,518	2,491	27
Advertising	3,500	4,300	4,287	13
Communication	50,000	55,000	46,558	8,442
Dues and Memberships	2,000	2,000	1,226	774
Postal Charges	7,500	7,500	7,467	33
Printing, Stationery and Forms	1,500	1,500	297	1,203
Travel	450	450	-	450
Other Contracted Services	6,000	4,000	1,577	2,423
Office Supplies	6,000	6,725	6,387	338
In-Service/Staff Development	3,400	3,400	2,188	1,212
Other Charges	6,475	9,125	8,423	702
Total General Admin. Svcs. - Office of the Superintendent	<u>303,598</u>	<u>315,178</u>	<u>299,483</u>	<u>15,695</u>
Total General Administrative Support Services	<u>680,438</u>	<u>693,698</u>	<u>630,011</u>	<u>63,687</u>
School Administrative				
School Administrative Services - Office of the Principal				
Principals	348,034	354,184	349,900	4,284
Career Ladder Program	13,000	6,300	6,300	-
Assistant Principals	290,427	261,427	256,771	4,656
Secretaries	161,271	179,921	178,002	1,919
Other Salaries and Wages	10,196	126,046	126,033	13
Social Security	51,023	51,573	51,568	5
State Retirement	71,241	76,366	76,351	15
Life Insurance	1,350	1,440	1,431	9
Medical Insurance	142,509	162,201	158,592	3,609
Dental Insurance	6,966	7,086	6,952	134
Medicare	11,932	12,587	12,582	5
Travel	2,000	2,250	1,806	444
Office Supplies	17,225	17,225	17,221	4
In-Service/Staff Development	2,500	3,550	3,004	546
Total School Administrative Services - Office of the Principal	<u>1,129,674</u>	<u>1,262,156</u>	<u>1,246,513</u>	<u>15,643</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, 2013**

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

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

See accompanying notes to the basic financial statements.

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

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

(Continued)

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

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

(Continued)

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

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

See accompanying notes to the basic financial statements.

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

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

(Continued)

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

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

See accompanying notes to the basic financial statements.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Related Organizations**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

The Schools report the following governmental funds:

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

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

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

**Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments**

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Receivables**

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

**Inventories**

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

**Capital Assets**

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

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

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

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

**Deferred Outflows / Deferred Inflows**

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deferred Outflows / Deferred Inflows (Continued)**

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

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

**Compensated Absences**

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

**Fund Equity**

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

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Equity (Continued)**

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

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

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

**Estimates**

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

**Reclassifications**

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

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

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

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

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

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

**ELIZABETHTON TENNESSEE CITY SCHOOLS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Deposits and Investments (Continued)**

**Deposits**

All deposits of the Schools are held by a bank which is an approved member of the Bank Collateral Pool of the Treasury Department of the State of Tennessee. The Collateral Pool is a multiple financial institution collateral pool and State statutes require collateral pledged by each financial institution must equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. At fiscal year end, the Schools' carrying amount of deposits was \$1,546,427 and the bank balance was \$2,113,260.

**Receivables**

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

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Capital Assets**

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

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

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**Long-Term Debt**

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

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

**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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Defined Benefit Plan**

**Plan Description**

The employees of Elizabethton 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, 2013 was 8.79% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for Elizabethton City Schools is established and may be amended by the TCRS Board of Trustees.

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

**Defined Benefit Plan (Continued)**

**Annual Pension Cost**

For the fiscal year ending June 30, 2013, Elizabethton City Schools' annual pension cost of \$181,843 to TCRS was equal to Elizabethton City School's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Elizabethton City Schools' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

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

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

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

**ELIZABETHTON CITY SCHOOLS**  
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**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Annual Pension Cost (Continued)**

(Dollar amounts in thousands)

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

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 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).

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

**Defined Benefit Plan (Continued)**

**Funding Policy**

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

**Post-Employment Healthcare Plan**

**Plan Description**

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

**Funding Policy**

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

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

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

**Post-Employment Healthcare Plan (Continued)**

**Funding Policy (Continued)**

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

Monthly Premiums – Retiree:

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

Monthly Premiums – Active:

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

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

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

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

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

**Post-Employment Healthcare Plan (Continued)**

**Funding Policy (Continued)**

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

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

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**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**Post-Employment Healthcare Plan (Continued)**

**Actuarial Methods and Assumptions (Continued)**

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

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

**Concentration**

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

**NOTE 5 - PRIOR PERIOD ADJUSTMENT**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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(Dollar amounts in thousands)

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

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

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

Note: Information was not available for prior years .

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

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

\* Receivable

\*\* Unused Revenue

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

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

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

\* Receivable      \*\* Unused Revenue

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

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Blackburn, Childers & Steagall P.C.*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 15, 2013

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

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

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

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

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

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

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

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

November 15, 2013

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

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

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

**SECTION II - CURRENT YEAR AUDIT FINDINGS**

None

**SECTION III - PRIOR YEAR AUDIT FINDINGS**

None