

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2014

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
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For the Fiscal Year Ended June 30, 2014

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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, 2014, 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Elizabethton City Schools
Independent Auditors' Report

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, 2014, 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.

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.

Elizabethton City Schools
Independent Auditors' Report

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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, 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.C.
BLACKBURN, CHILDERS & STEAGALL, P.C.
Johnson City, Tennessee

November 18, 2014

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014. Please read it in conjunction with the Board's financial statements, which immediately follow this section.

Financial Highlights

The financial status of the Board increased significantly during the year due to the receipt of bond proceeds from the City of Elizabethton for the construction of a Music Room and Stadium on the Elizabethton High School campus. The Board's Net Position increased by 31.1%.

- The total Unrestricted/Unassigned General Purpose fund balance decreased by \$22,100, and the total School Nutrition fund increased by \$2,764.
- The construction of new Athletic Fields at T. A. Dugger Junior High was completed.
- Three 66-passenger school buses and one Special Education bus were purchased.
- A new server EMT Simulator for the Career Technical Education Program at the high school was purchased.
- A new dishwahser was purchased and installed at West Side Elementary.
- A boiler was replaced and T. A. Dugger Junior High School.
- The construction of a new Music Room and Stadium at Elizabethton High School was in the planning stage.

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.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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.

- 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, 2014**

Financial Analysis of the Board as a Whole

Condensed Statement of Net Position

	Governmental Activities		Total % Change 2013-2014
	2013	2014	
Current and Other Assets	5,365,024	10,122,528	88.7%
Capital Assets	14,705,964	15,061,170	2.4%
Total Assets	20,070,988	25,183,698	25.5%
Current Liabilities	643,792	847,070	31.6%
Long-Term Liabilities	2,637,032	2,990,721	13.4%
Total Liabilities	3,280,824	3,837,791	17.0%
Deferred Inflows of Resources	2,706,037	2,877,738	6.3%
Net Investment in Capital Assets	14,705,964	15,061,170	2.4%
Restricted	240,139	5,139,859	2040.4%
Unrestricted	(861,976)	(1,732,860)	101.0%
Total Net Position	14,084,127	18,468,169	31.1%

Net Position

The Board's Current and Other Assets increased by 88.7% during the 2013-2014 fiscal year. This increase is due to bond proceeds received from the City of Elizabethton for the construction of a new Music Room and Stadium at Elizabethton High School.

The Board's financial position is the product of many factors. The most significant factor is the receipt of the bond proceeds as mentioned. The capital outlay additions included the new athletic fields at T. A. Dugger Junior High School; four new school buses; purchase and installation of an EMT Simulator at Elizabethton High School; purchase and installation of a new dishwasher for West Side Elementary; and, purchase and installation of a replacement boiler at T. A. Dugger Junior High School. Construction in Progress included the preliminary expenditures for improvements to the Elizabethton High School campus.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position from Operating Results

	<u>Governmental Activities</u>		Total % Change <u>2013-2014</u>
	<u>2013</u>	<u>2014</u>	
Revenues			
Program Revenues			
Charges for Services	598,479	613,225	2.5%
Operating Grants	5,536,465	5,660,341	2.2%
Capital Grants and Contributions	25,894	5,017,959	100.0%
General Revenues			
Property Taxes	2,688,243	2,770,362	3.1%
Other Taxes	2,120,868	1,936,104	-8.7%
State Revenues	11,126,930	11,587,117	4.1%
Other	12,486	96,774	675.1%
Total Revenues	<u>22,109,365</u>	<u>27,681,882</u>	25.2%
Expenses			
Instruction	12,955,099	13,391,327	3.4%
Support Services	7,951,594	8,316,435	4.6%
Food Service	981,149	970,143	-1.1%
Community Services	203,685	213,335	4.7%
Early Childhood Education	408,771	406,600	-0.5%
Total Expenses	<u>22,500,298</u>	<u>23,297,840</u>	3.5%
Increase (Decrease) in Net Position	(390,933)	4,384,042	
Beginning Net Position - Restated	<u>14,475,060</u>	<u>14,084,127</u>	
Ending Net Position	<u><u>14,084,127</u></u>	<u><u>18,468,169</u></u>	

The total cost of all programs and services rose 3.5% to \$23.3 million. The Board's expenses are predominately related to instruction of K-12 students and support services for educators (93.2% of total costs). The operation of community service programs, including food service and early childhood education accounted for 6.8% of the expenditures.

Governmental Activities

Revenues for the Board's governmental activities increased by 25.2%, while total expenses increased by 3.5%. The increase is due to the bond proceeds from the City of Elizabethton for the improvements to the high school campus which were in the planning stages at the end of fiscal year 2014. The Net Position of the Board increased by \$4,384,042.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 \$6,361,858, which were more than last year's ending fund balances of \$1,964,326. This increase is due to restricted funds received from the City of Elizabethton for future improvements to the high school campus.

The Board's governmental funds experienced revenues and other sources less than expenditures in 2014 as follows:

General Purpose	\$4,394,768
Child Nutrition	\$ 2,764

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 \$24,993,633 of revenues and other sources would be received, the Board received \$31,207 more than anticipated. The Board budgeted \$25,612,007 of expenditures. The actual expenditures of \$20,654,345 were \$4,957,662 under budget, which includes the bond proceeds from the City of Elizabethton that were designated as restricted at fiscal year-end.

Capital Asset and Debt Administration

By the end of fiscal year 2014, the Elizabethton City Schools had invested \$15 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 \$355,206 or 2.4% 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 \$560,229, while building improvements and additions to equipment amounted to \$1,127,285.

**ELIZABETHTON CITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		Total % Change 2013-2014
	<u>2013</u>	<u>2014</u>	
Land	216,170	216,170	0.0%
Construction In Progress	356,852	147,141	-58.8%
Buildings	13,346,872	13,628,828	2.1%
Equipment and Vehicles	<u>786,070</u>	<u>1,069,031</u>	36.0%
Total Assets	<u>14,705,964</u>	<u>15,061,170</u>	2.4%

The Board's fiscal year 2014 capital expenditures consisted of completion of the new athletic fields at T. A. Dugger Junior High School; four new school buses; purchase and installation of an EMT Simulator at Elizabethton High School; purchase and installation of a new dishwasher for West Side Elementary; and, purchase and installation of a replacement boiler at T. A. Dugger Junior High. Construction in Progress included the preliminary expenditures for improvements to the Elizabethton High School campus.

Factors Impacting the Future of the School System and Board

Implementation of the Community Eligibility Program at all three elementary schools

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

Increasing Career Technical Education courses for students

Providing for the safety and security of our students

Moving forward with high school campus improvements made possible by bonds issued by the City of Elizabethton

Providing junior high and high school students with academic intervention

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, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,206,965
Restricted - Cash	4,941,442
Accounts Receivable	28,115
Due from Other Governments	997,450
Due from Carter County	2,913,391
Inventories	35,165
Capital Assets Not Being Depreciated	
Land	216,170
Construction in Progress	147,141
Capital Assets, Net of Accumulated Depreciation	
Buildings	13,628,828
Equipment	1,069,031
Total Assets	<u><u>25,183,698</u></u>
LIABILITIES	
Cash Overdraft	272,598
Accounts Payable	574,472
Long-Term Liabilities	
Due Within One Year	15,498
Due in More Than One Year	2,975,223
Total Liabilities	<u><u>3,837,791</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues - Current Property Tax	<u>2,877,738</u>
Total Deferred Inflows of Resources	<u><u>2,877,738</u></u>
NET POSITION	
Net Investment in Capital Assets	15,061,170
Restricted for Education	1,631
Restricted for Athletic Complex	4,901,923
Restricted for Operations	236,305
Unrestricted	<u>(1,732,860)</u>
Total Net Position	<u><u>\$ 18,468,169</u></u>

See accompanying notes to the basic financial statements.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 13,391,327	354,363	4,492,245	5,007,934	(3,536,785)
Support Services	8,316,435	-	60,000	10,025	(8,246,410)
Food Service	970,143	258,862	707,395	-	(3,886)
Community Services	213,335	-	-	-	(213,335)
Early Childhood Education	406,600	-	400,701	-	(5,899)
Total Governmental Activities	23,297,840	613,225	5,660,341	5,017,959	(12,006,315)
General Revenues					
Payments from Carter County					
Property Taxes					2,770,362
Sales Taxes					1,825,454
Other Taxes					95,891
Other Local Governments					14,759
State Aid					11,587,117
Unrestricted Investment Earnings					15,016
Miscellaneous					360
Loss on Disposal of Capital Assets					(2,139)
Contributions and Donations not Restricted to Specific Programs					83,537
Total General Revenues					16,390,357
Change in Net Position					4,384,042
Net Position - Beginning					14,084,127
Net Position - Ending					\$ 18,468,169

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, 2014

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
ASSETS				
Cash	\$ 966,930	-	240,035	1,206,965
Restricted - Cash	4,941,442	-	-	4,941,442
Accounts Receivable	28,115	-	-	28,115
Due from Other Governments	708,272	289,178	-	997,450
Due from Carter County	2,913,391	-	-	2,913,391
Inventories	-	-	35,165	35,165
TOTAL ASSETS	\$ 9,558,150	289,178	275,200	10,122,528
LIABILITIES				
Cash Overdraft	\$ -	272,598	-	272,598
Accounts Payable	554,162	16,580	3,730	574,472
Total Liabilities	554,162	289,178	3,730	847,070
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Current Property Tax	2,877,738	-	-	2,877,738
Deferred Revenues - Unavailable	35,862	-	-	35,862
Total Deferred Inflows of Resources	2,913,600	0	0	2,913,600
FUND BALANCES				
Non-Spendable				
Inventories	-	-	35,165	35,165
Restricted for				
Athletic Complex	4,901,923	-	-	4,901,923
Education	1,631	-	-	1,631
Operations of Noninstructional Program	-	-	236,305	236,305
Assigned to				
After School	36,666	-	-	36,666
Community Involvement	3,247	-	-	3,247
Early Learning Center	5,500	-	-	5,500
Equipment	14,580	-	-	14,580
Homeless Donation	300	-	-	300
Maintenance Controls	44,420	-	-	44,420
Technology	58,492	-	-	58,492
Unassigned	1,023,629	-	-	1,023,629
Total Fund Balances	6,090,388	0	271,470	6,361,858
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,558,150	289,178	275,200	10,122,528

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, 2014

Total Fund Balances - Governmental Funds	\$ 6,361,858
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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 \$26,001,409 and the accumulated depreciation is \$(10,940,239).	15,061,170
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Revenue, for amounts not received during the period of availability, is not considered "available" and has been deferred in the funds.	35,862
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OPEB benefits represent liabilities of the School that are not due and payable in the current period and, therefore, are not recorded at the fund level.	(2,932,418)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(58,303)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 18,468,169</u></u>
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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, 2014

	General Purpose School Fund	School Federal Projects Fund	School Nutrition Fund	Total Governmental Funds
REVENUES				
Payments from County and City	\$ 12,044,864	-	-	12,044,864
Revenue from State of Tennessee	12,508,740	-	9,452	12,518,192
Revenue from Federal Government	-	1,706,848	697,943	2,404,791
Charges for Services	354,363	-	258,862	613,225
Investment Earnings	13,933	-	1,083	15,016
Other	102,940	-	-	102,940
Total Revenues	25,024,840	1,706,848	967,340	27,699,028
EXPENDITURES				
Instruction	12,070,771	1,102,457	-	13,173,228
Support Services	7,063,566	580,118	-	7,643,684
Food Services	-	-	956,069	956,069
Community Services	210,240	-	-	210,240
Early Childhood Education	400,701	-	-	400,701
Capital Outlay	909,067	-	8,507	917,574
Total Expenditures	20,654,345	1,682,575	964,576	23,301,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,370,495	24,273	2,764	4,397,532
OTHER FINANCING SOURCES (USES)				
Transfers In	28,063	-	-	28,063
Transfers Out	(3,790)	(24,273)	-	(28,063)
Total Other Financing Sources (Uses)	24,273	(24,273)	0	0
NET CHANGE IN FUND BALANCES	4,394,768	-	2,764	4,397,532
FUND BALANCES, JULY 1, 2013	1,695,620	0	268,706	1,964,326
FUND BALANCES, JUNE 30, 2014	\$ 6,090,388	0	271,470	6,361,858

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 4,397,532
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 \$917,574 exceeds depreciation expense of \$560,229.	357,345
The net effect if various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(2,139)
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.	(15,007)
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.	(10,668)
Liability for OPEB benefits are not reported in the governmental funds and increased by this amount for the current fiscal year.	<u>(343,021)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,384,042</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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
PAYMENTS FROM COUNTY AND CITY				
Carter County				
Local Sales Tax	\$ 1,900,000	1,835,500	1,825,454	(10,046)
County Property Tax	2,778,050	2,849,075	2,863,960	14,885
Other Local Tax	21,500	15,175	15,516	341
City of Elizabethton				
Contributions	2,332,000	7,339,935	7,339,934	(1)
Total Payments from County and City	7,031,550	12,039,685	12,044,864	5,179
INTERGOVERNMENTAL REVENUES				
State of Tennessee				
Basic Education Program	11,466,914	11,455,000	11,455,000	-
Driver Education	8,000	8,000	9,580	1,580
Career Ladder Program	97,358	86,363	85,622	(741)
Career Ladder - Extended Contract	93,360	46,495	46,495	-
Early Childhood Education	400,701	400,701	400,701	-
Other State Education Funds	351,538	529,104	511,342	(17,762)
Total Intergovernmental Revenues	12,417,871	12,525,663	12,508,740	(16,923)
MISCELLANEOUS REVENUES				
Tuition	307,610	354,185	354,363	178
Rental of School Property	1,500	360	360	-
Interest Income	12,500	13,950	13,933	(17)
Donations	200	38,130	83,537	45,407
Marriage Licenses	600	660	602	(58)
Other Local Revenues	1,500	17,300	14,759	(2,541)
E-Rate Funding	2,500	2,500	2,500	-
Mixed Drinks	2,500	1,200	1,182	(18)
Total Miscellaneous Revenues	328,910	428,285	471,236	42,951
TOTAL REVENUES	19,778,331	24,993,633	25,024,840	31,207

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	6,196,000	6,314,160	6,313,260	900
Career Ladder Program	55,500	49,000	49,000	-
Career Ladder - Extended Contract	80,000	40,000	38,500	1,500
Homebound Teachers	7,500	6,500	6,383	117
Educational Assistants	205,750	203,750	203,375	375
Other Salaries and Wages	30,000	30,000	28,638	1,362
Certified Substitute Teachers	25,000	30,000	29,765	235
Non-Certified Substitute Teachers	100,000	100,000	99,960	40
Social Security	413,261	401,617	401,123	494
State Retirement	567,834	570,159	569,987	172
Life Insurance	12,915	13,235	13,235	-
Medical Insurance	1,109,726	1,137,501	1,123,089	14,412
Dental Insurance	47,975	49,125	49,024	101
Medicare	96,400	94,869	94,697	172
Other Contracted Services	1,800	1,800	1,501	299
Instructional Supplies	99,000	96,500	96,108	392
Textbooks	170,000	196,350	195,538	812
Other Supplies and Materials	33,620	33,360	32,478	882
Equipment and Furniture	-	10,500	10,056	444
Total Instruction - Regular Instruction	9,252,281	9,378,426	9,355,717	22,709
Instruction - Special Education				
Teachers	745,600	719,600	719,439	161
Career Ladder Program	6,000	5,000	5,000	-
Homebound Teachers	2,000	1,000	900	100
Educational Assistants	196,700	196,700	196,487	213
Speech Pathologist	134,500	136,050	136,026	24
Certified Substitute Teachers	7,500	3,500	3,181	319
Non-Certified Substitute Teachers	15,000	32,600	32,574	26
Other Salaries and Wages	7,275	7,350	7,349	1
Social Security	68,372	65,812	65,697	115
State Retirement	89,864	88,779	88,771	8
Life Insurance	2,295	2,295	2,187	108
Medical Insurance	239,832	239,282	236,358	2,924
Dental Insurance	10,760	9,885	9,853	32
Medicare	16,087	16,077	15,430	647
Other Contracted Services	120,792	130,376	128,282	2,094

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Special Education (Continued)				
Instructional Supplies	9,500	8,500	8,402	98
Other Supplies and Materials	1,000	1,000	945	55
Other Charges	3,000	1,000	892	108
Special Education Equipment	-	4,930	4,929	1
Total Instruction - Special Education	<u>1,676,077</u>	<u>1,669,736</u>	<u>1,662,702</u>	<u>7,034</u>
Instruction - Vocational Education				
Teachers	595,575	598,975	598,970	5
Career Ladder Program	3,000	3,000	3,000	-
Certified Substitute Teachers	500	725	720	5
Non-Certified Substitute Teachers	5,500	11,910	11,909	1
Social Security	37,186	36,436	36,433	3
State Retirement	53,151	53,491	53,492	(1)
Life Insurance	1,080	1,170	1,170	-
Medical Insurance	97,584	104,459	103,338	1,121
Dental Insurance	4,725	4,725	4,524	201
Medicare	8,135	8,525	8,521	4
Maintenance and Repair - Equipment	2,500	40	37	3
Instructional Supplies	24,000	18,015	18,011	4
Other Supplies and Charges	1,000	13,252	13,191	61
Total Instruction - Vocational Education	<u>833,936</u>	<u>854,723</u>	<u>853,316</u>	<u>1,407</u>
Instruction - Student Body				
Other Salaries and Wages	150,000	161,725	161,717	8
Social Security	9,300	9,900	9,881	19
State Retirement	8,500	10,250	10,227	23
Employer Medicare	2,175	2,325	2,311	14
Other Supplies and Materials	4,400	4,400	4,400	-
Other Charges	10,500	10,500	10,500	-
Total Instruction - Student Body	<u>184,875</u>	<u>199,100</u>	<u>199,036</u>	<u>64</u>
Total Instructional Expenditures	<u>11,947,169</u>	<u>12,101,985</u>	<u>12,070,771</u>	<u>31,214</u>
Support Services				
Student Services - Attendance				
Supervisor/Director	1,500	1,500	1,500	-
Secretary(ies)	35,050	38,025	38,023	2
Social Security	2,267	2,412	2,409	3
State Retirement	3,039	3,289	3,285	4
Life Insurance	45	45	45	-
Medical	8,150	6,755	6,754	1
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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Support Services (Continued)				
Student Services - Attendance (Continued)				
Medicare	530	565	563	2
Other Supplies and Materials	2,000	545	545	-
Travel	3,500	3,500	3,134	366
Attendance Equipment	-	1,100	1,092	8
Total Student Services - Attendance	56,396	58,051	57,657	394
Student Services - Health Services				
Supervisor/Director	53,640	50,465	50,451	14
Medical Personnel	151,550	148,825	148,823	2
Social Security	12,722	12,492	11,742	750
State Retirement	17,599	17,019	16,820	199
Life Insurance	405	405	405	-
Medical Insurance	46,000	48,125	48,108	17
Dental Insurance	2,217	2,207	2,147	60
Medicare	2,975	2,925	2,746	179
Travel	725	725	317	408
Other Contracted Services	2,000	1,700	1,700	-
Other Supplies and Materials	11,686	14,841	14,877	(36)
Other Charges	750	225	218	7
In-Service/Staff Development	5,000	6,740	6,742	(2)
Total Student Services - Health Services	307,269	306,694	305,096	1,598
Student Services - Other Student Support				
Career Ladder Program	1,000	1,000	1,000	-
Guidance Personnel	250,250	251,200	251,186	14
Secretaries	100,800	101,100	101,077	23
Social Security	21,062	21,567	21,565	2
State Retirement	30,668	30,778	30,773	5
Life Insurance	675	705	702	3
Medical Insurance	73,640	72,165	71,270	895
Dental Insurance	3,200	3,200	3,144	56
Medicare	5,015	5,045	5,043	2
Evaluation and Testing	17,000	17,000	15,757	1,243
Other Contracted Services	50,000	50,000	45,061	4,939
Other Charges	6,000	6,000	6,000	-
Total Student Services - Other Student Support	559,310	559,760	552,578	7,182
Total Student Services Support Services	922,975	924,505	915,331	9,174

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instructional Staff				
Instructional Staff Services - Regular Instruction				
Supervisor/Director	136,926	136,926	135,174	1,752
Career Ladder Program	8,000	11,000	11,000	-
Librarians	240,250	240,250	240,173	77
Secretary	17,530	18,280	18,268	12
Education Assistants	29,500	30,200	30,192	8
Social Security	26,496	25,686	25,509	177
State Retirement	38,116	37,371	37,079	292
Life Insurance	725	725	664	61
Medical Insurance	75,440	69,040	68,171	869
Dental Insurance	3,190	2,790	2,780	10
Medicare	6,217	6,262	5,966	296
Maintenance and Repair - Equipment	5,900	5,900	5,900	-
Travel	1,000	1,000	949	51
Library Books/Media	36,700	36,700	36,700	-
Other Contracted Services	5,000	5,325	5,314	11
Other Supplies and Materials	3,500	2,125	2,120	5
In-Service/Staff Development	14,100	9,105	8,801	304
Other Charges	1,500	950	926	24
Other Equipment	-	4,400	4,200	200
Total Instructional Staff Services - Regular Instruction	650,090	644,035	639,886	4,149
Instructional Staff Services - Special Education				
Supervisor/Director	69,776	70,061	70,061	-
Secretaries	26,300	28,520	28,517	3
Social Security	5,925	6,000	5,994	6
State Retirement	8,376	8,601	8,586	15
Life Insurance	111	111	110	1
Medical Insurance	11,520	11,520	11,112	408
Dental Insurance	500	500	491	9
Medicare	1,395	1,405	1,402	3
Maintenance and Repair - Equipment	500	835	635	200
Travel	2,500	1,625	1,610	15
In-Service/Staff Development	8,500	5,835	5,408	427
Other Charges	9,500	6,100	6,067	33
Total Instructional Staff Services - Special Education	144,903	141,113	139,993	1,120

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instructional Staff (Continued)				
Instructional Staff Services - Vocational Education				
Supervisor/Director	62,875	69,225	69,222	3
Career Ladder Program	1,800	1,000	1,000	-
Secretaries	22,100	22,100	22,025	75
Social Security	5,270	5,085	5,074	11
State Retirement	7,415	8,255	8,062	193
Life Insurance	135	135	135	-
Medical Insurance	13,300	16,100	16,087	13
Dental Insurance	614	614	613	1
Medicare	1,261	1,351	1,187	164
In-Service/Staff Development	3,700	3,700	3,322	378
Total Instructional Staff Services - Vocational Education	118,470	127,565	126,727	838
Total Instructional Staff Support Services	913,463	912,713	906,606	6,107
General Administrative				
General Administrative Services - Board of Education				
Secretary to Board	1,500	1,500	1,500	-
Social Security	93	93	90	3
State Retirement	124	124	124	-
Unemployment Compensation	40,000	10,000	8,151	1,849
Medicare	22	22	21	1
Audit Services	30,000	30,000	30,000	-
Dues and Memberships	8,350	8,350	8,311	39
Legal Services	18,000	16,529	12,859	3,670
Other Contracted Services	2,000	2,000	2,000	-
Liability Insurance	36,000	38,371	38,371	-
Premium on Corporate Surety Bonds	1,350	1,350	1,328	22
Trustee Commissions	85,000	75,000	74,694	306
Workers' Compensation	145,000	148,830	148,829	1
In-Service/Staff Development	7,750	6,300	6,151	149
Other Charges	3,500	7,200	7,192	8
Total General Admin. Svcs. - Board of Education	378,689	345,669	339,621	6,048
General Administrative Services -				
Office of the Superintendent				
County Official/Administrative Officer	90,803	95,353	95,343	10
Career Ladder Program	1,000	1,000	400	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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
General Administrative (Continued)				
General Administrative Services -				
Office of the Superintendent (Continued)				
Secretaries	40,900	40,900	40,893	7
Clerical Personnel	35,050	35,050	35,048	2
Other Salaries and Wages	4,800	4,800	4,800	-
Social Security	10,698	10,828	10,787	41
State Retirement	14,877	15,282	15,224	58
Life Insurance	180	180	180	-
Medical Insurance	19,000	19,000	18,950	50
Dental Insurance	945	945	920	25
Medicare	2,503	2,533	2,523	10
Advertising	5,000	4,000	3,703	297
Communication	52,000	75,357	75,270	87
Dues and Memberships	2,000	2,000	1,621	379
Postal Charges	7,500	3,775	3,656	119
Printing, Stationery and Forms	1,500	1,500	1,201	299
Travel	450	450	-	450
Other Contracted Services	4,000	3,000	2,591	409
Office Supplies	7,000	6,100	6,019	81
In-Service/Staff Development	3,400	675	662	13
Other Charges	8,475	7,475	7,482	(7)
Total General Admin. Svcs. - Office of the Superintendent	312,081	330,203	327,273	2,930
Total General Administrative Support Services	690,770	675,872	666,894	8,978
School Administrative				
School Administrative Services - Office of the Principal				
Principals	362,925	367,275	367,253	22
Career Ladder Program	7,500	3,800	3,800	-
Assistant Principals	268,185	275,410	275,405	5
Secretaries	166,125	183,300	183,274	26
Other Salaries and Wages	127,300	120,625	120,619	6
Social Security	56,872	54,127	54,108	19
State Retirement	79,209	78,854	78,579	275
Life Insurance	1,440	1,440	1,400	40
Medical Insurance	172,833	157,608	155,985	1,623
Dental Insurance	7,480	6,655	6,620	35
Medicare	13,309	13,259	13,178	81
Travel	2,000	1,675	1,603	72
Office Supplies	17,225	17,225	17,205	20
In-Service/Staff Development	2,500	1,000	1,000	-
Other Charges	-	1,205	1,164	41
Total School Administrative Services - Office of the Principal	1,284,903	1,283,458	1,281,193	2,265

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Business Administrative Services - Fiscal Services				
Supervisor/Director	74,366	74,366	74,365	1
Accountants/Bookkeepers	72,350	75,225	75,219	6
Secretaries	35,050	38,025	38,023	2
Clerical Personnel	26,625	26,625	26,624	1
Social Security	12,800	12,975	12,974	1
State Retirement	17,714	18,199	18,199	-
Life Insurance	270	270	270	-
Medical Insurance	41,279	39,154	39,097	57
Dental Insurance	1,915	1,915	1,840	75
Medicare	3,000	3,035	3,034	1
Data Processing Services	4,700	4,700	4,692	8
Dues and Subscriptions	125	125	25	100
Travel	500	500	140	360
Data Processing Supplies	750	750	651	99
Office Supplies	5,000	4,000	3,927	73
In-Service/Staff Development	3,000	1,200	1,180	20
Other Charges	1,000	1,000	755	245
Total Bus. Admin. Svcs. - Fiscal Services	300,444	302,064	301,015	1,049
Operation and Maintenance				
Operation and Maintenance - Operation of Plant				
Supervisor/Director	28,600	28,675	28,668	7
Custodial Personnel	289,250	289,250	277,879	11,371
Social Security	19,707	18,732	18,734	(2)
State Retirement	26,350	25,750	25,770	(20)
Life Insurance	900	900	806	94
Medical Insurance	147,075	144,775	144,692	83
Dental Insurance	7,030	7,030	6,722	308
Medicare	4,609	4,384	4,381	3
Other Contracted Services	65,000	59,000	53,426	5,574
Custodial Supplies	43,000	43,900	43,764	136
Electricity	475,000	453,900	455,890	(1,990)
Natural Gas	150,000	109,000	107,651	1,349
Water and Sewer	40,000	34,500	34,261	239
Boiler Insurance	5,500	5,906	5,906	-
Building and Contents Insurance	100,000	107,605	107,605	-
Other Charges	12,000	7,000	6,846	154
Plant Operation Equipment	-	3,185	3,185	-
Total Oper. and Maint. - Operation of Plant	1,414,021	1,343,492	1,326,186	17,306

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Operation and Maintenance (Continued)				
Operation and Maintenance - Maintenance of Plant				
Supervisor/Director	16,901	16,901	16,901	-
Maintenance Personnel	231,800	222,900	222,306	594
Social Security	15,400	14,275	14,184	91
State Retirement	20,718	19,993	19,930	63
Life Insurance	293	293	293	-
Medical Insurance	43,000	42,000	41,998	2
Dental Insurance	1,975	1,975	1,917	58
Medicare	3,603	3,333	3,317	16
Laundry Service	3,000	6,000	5,272	728
Maintenance and Repair - Buildings	325,000	421,600	423,763	(2,163)
Maintenance and Repair - Equipment	2,500	-	-	-
Maintenance and Repair - Vehicles	5,000	5,650	5,407	243
Other Contracted Services	53,100	40,000	39,862	138
Other Equipment	1,000	-	-	-
In-Service/Staff Development	750	150	132	18
Total Oper. and Maint. - Maintenance of Plant	<u>724,040</u>	<u>795,070</u>	<u>795,282</u>	<u>(212)</u>
Total Operation and Maintenance Support Services	<u>2,138,061</u>	<u>2,138,562</u>	<u>2,121,468</u>	<u>17,094</u>
Student Transportation				
Supervisor/Director	2,800	2,800	2,800	-
Mechanics	7,500	7,500	7,547	(47)
Bus Drivers	70,603	87,353	88,110	(757)
Other Salaries and Wages	24,000	14,000	10,619	3,381
Social Security	6,185	6,435	6,234	201
State Retirement	8,733	9,523	9,244	279
Life Insurance	320	320	315	5
Medical Insurance	42,600	40,200	39,856	344
Dental Insurance	2,265	2,265	2,147	118
Medicare	1,514	1,574	1,458	116
Maintenance and Repair - Vehicles	5,250	12,950	12,939	11
Medical and Dental Services	2,000	3,075	3,050	25
Diesel Fuel	60,000	66,500	65,651	849
Gasoline	14,000	14,000	13,128	872
Tires and Tubes	10,000	5,225	4,863	362
Vehicle Parts	15,000	13,700	13,824	(124)
Vehicle Insurance	32,000	33,223	33,223	-
In-Service/Staff Development	1,000	1,400	1,387	13
Other Charges	5,000	3,000	2,939	61
Total Student Transportation Support Services	<u>310,770</u>	<u>325,043</u>	<u>319,334</u>	<u>5,709</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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Central Services				
Supervisor/Director	50,704	50,704	50,704	-
Data Processing Personnel	120,750	120,750	120,744	6
Social Security	10,625	10,150	10,130	20
State Retirement	14,513	14,513	14,512	1
Life Insurance	203	203	203	-
Medical Insurance	27,050	26,725	26,719	6
Dental Insurance	1,200	1,200	1,150	50
Medicare	2,480	2,380	2,369	11
Maintenance and Repair - Equipment	24,000	25,100	24,564	536
Travel	2,000	1,450	1,429	21
Other Contracted Services	55,000	79,500	79,136	364
Data Processing Supplies	10,000	9,750	9,730	20
Other Supplies and Materials	6,000	5,625	5,624	1
In-Service/Staff Development	2,000	2,000	1,980	20
Data Processing Equipment	27,500	202,961	202,731	230
Total Central Services Support Services	354,025	553,011	551,725	1,286
Total Support Services	6,915,411	7,115,228	7,063,566	51,662
Community Services				
Supervisor/Director	24,231	26,278	24,934	1,344
Other Salaries and Wages	105,830	112,870	107,402	5,468
Social Security	8,108	7,629	8,092	(463)
State Retirement	3,684	3,707	3,822	(115)
Life Insurance	63	115	98	17
Medical Insurance	3,691	9,950	9,928	22
Dental Insurance	209	512	479	33
Medicare	1,893	2,109	1,901	208
Travel	12,040	5,090	1,919	3,171
Other Contracted Services	-	1,500	1,500	-
Food Supplies	770	2,270	2,175	95
Other Supplies and Materials	17,392	25,718	23,967	1,751
Other Charges	13,097	9,475	5,332	4,143
Other Equipment	13,040	19,500	18,691	809
Total Community Services	204,048	226,723	210,240	16,483

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Early Childhood Education				
Supervisor/Director	51,638	50,723	50,726	(3)
Teachers	91,767	92,287	92,289	(2)
Bus Drivers	20,180	20,295	20,298	(3)
Secretary(ies)	16,241	14,991	14,983	8
Educational Assistants	97,527	95,792	95,791	1
Custodian	9,187	9,717	9,718	(1)
Social Security	17,197	16,212	16,241	(29)
State Retirement	20,706	20,561	20,559	2
Life Insurance	558	558	558	-
Medical Insurance	65,859	65,794	65,795	(1)
Dental Insurance	2,976	2,976	2,976	-
Employer Medicare	4,156	3,936	3,939	(3)
Travel	250	1,750	1,711	39
Other Supplies and Materials	2,459	5,109	5,117	(8)
Total Early Childhood Education	400,701	400,701	400,701	0
Capital Outlay	334,259	5,767,370	909,067	4,858,303
Total Expenditures	19,801,588	25,612,007	20,654,345	4,957,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,257)	(618,374)	4,370,495	4,988,869
OTHER FINANCING SOURCES (USES)				
Transfers In	26,757	28,062	28,063	1
Transfers Out	(3,500)	(3,900)	(3,790)	110
Total Other Financing Sources (Uses)	23,257	24,162	24,273	111
NET CHANGE IN FUND BALANCES	-	(594,212)	4,394,768	4,988,980
FUND BALANCES, JULY 1, 2013	1,695,620	1,695,620	1,695,620	-
FUND BALANCES, JUNE 30, 2014	\$ 1,695,620	1,101,408	6,090,388	4,988,980

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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenues				
Title I	760,340	711,097	626,519	(84,578)
Title II	89,905	87,496	67,687	(19,809)
Title X	12,000	20,500	20,500	-
Special Education (IDEA)	470,222	519,507	501,295	(18,212)
Special Education (Preschool)	10,285	11,460	11,460	-
Vocational Education	25,792	25,792	23,273	(2,519)
Safe and Drug Free School	78,000	57,500	57,500	-
Race To The Top	229,117	242,599	242,599	-
Vocational Rehab	40,570	31,600	31,600	-
Consolidated Administration	-	126,920	124,415	(2,505)
TOTAL REVENUES	1,716,231	1,834,471	1,706,848	(127,623)
EXPENDITURES				
Instruction				
Instruction - Regular Instruction				
Teachers	76,821	76,821	76,821	-
Educational Assistants	29,088	29,088	26,470	2,618
Other Salaries and Wages	283,208	283,207	273,984	9,223
Social Security	24,128	24,128	22,777	1,351
State Retirement	31,971	31,970	31,151	819
Life Insurance	720	719	720	(1)
Medical Insurance	56,015	56,015	57,504	(1,489)
Dental Insurance	2,540	2,540	2,454	86
Medicare	5,644	5,645	5,327	318
Equipment	28,800	57,543	45,540	12,003
Instructional Supplies and Materials	51,611	91,217	62,094	29,123
Total Instruction - Regular Instruction	<u>590,546</u>	<u>658,893</u>	<u>604,842</u>	<u>54,051</u>
Instruction - Special Education				
Teachers	35,305	35,305	35,500	(195)
Educational Assistants	369,524	384,699	374,189	10,510
Other Salaries and Wages	3,000	3,000	3,069	(69)
Social Security	24,543	25,413	24,902	511
State Retirement	6,659	6,659	6,989	(330)
Life Insurance	225	225	225	-
Medical Insurance	19,170	19,170	19,122	48
Dental Insurance	1,265	1,265	1,227	38
Medicare	5,882	6,082	5,965	117
Instructional Supplies	-	11,723	5,000	6,723
Total Instruction - Special Education	<u>465,573</u>	<u>493,541</u>	<u>476,188</u>	<u>17,353</u>

(Continued)

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHOOL FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES (CONTINUED)				
Instruction (Continued)				
Instruction - Vocational Education				
Other Supplies and Materials	3,190	1,500	1,500	-
Vocational Instruction Equipment	24,837	19,927	19,927	-
Total Instruction - Vocational Education	28,027	21,427	21,427	-
 Total Instructional Expenditures	 1,084,146	 1,173,861	 1,102,457	 71,404
Support Services				
Instructional Staff Services - Regular Instruction				
Supervisor	64,823	64,823	65,282	(459)
Secretary	26,286	26,286	26,286	-
Other Salaries & Wages	49,702	49,702	32,702	17,000
Social Security	8,731	8,731	8,247	484
State Retirement	12,349	12,349	11,431	918
Life Insurance	196	196	187	9
Medical Insurance	16,515	16,515	15,653	862
Dental Insurance	807	807	744	63
Employer Medicare	2,042	2,042	1,862	180
Travel	14,500	27,750	12,063	15,687
Other Supplies and Materials	4,500	4,500	3,201	1,299
In-Service/Staff Development	9,650	27,900	18,842	9,058
Other Equipment	2,500	2,500	1,665	835
Total Instructional Staff Services - Reg Instruction	212,601	244,101	198,165	45,936
Support Services - Student Transportation				
Bus Drivers	10,375	19,575	20,280	(705)
Other Salaries and Wages	1,620	1,620	-	1,620
Social Security	743	1,313	1,200	113
State Retirement	860	1,625	1,681	(56)
Life Insurance	190	235	86	149
Medical Insurance	-	6,140	6,137	3
Dental Insurance	317	602	588	14
Medicare	173	308	281	27
Total Student Transportation Support Services	14,278	31,418	30,253	1,165

(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, 2014

	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	288,069	285,472	279,438	6,034
Special Education Support	2,544	7,896	6,314	1,582
21st Century	75,293	55,918	55,775	143
Vocational Support	12,543	10,173	10,173	-
Total Other Support Services	<u>378,449</u>	<u>359,459</u>	<u>351,700</u>	<u>7,759</u>
Total Support Services	<u>605,328</u>	<u>634,978</u>	<u>580,118</u>	<u>54,860</u>
TOTAL EXPENDITURES	<u>1,689,474</u>	<u>1,808,839</u>	<u>1,682,575</u>	<u>126,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,757</u>	<u>25,632</u>	<u>24,273</u>	<u>(1,359)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	126,920	-	-	-
Transfers Out	<u>(153,677)</u>	<u>(25,632)</u>	<u>(24,273)</u>	<u>1,359</u>
Total Other Financing Sources (Uses)	<u>(26,757)</u>	<u>(25,632)</u>	<u>(24,273)</u>	<u>1,359</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, JULY 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, JUNE 30, 2014	<u>\$ 0</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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental Revenues				
USDA Lunch Claims	\$ 450,900	462,200	467,886	5,686
USDA Breakfast Claims	144,500	159,050	153,308	(5,742)
Snack Reimbursement	13,000	17,400	17,366	(34)
Commodities	32,700	59,400	59,383	(17)
State Matching	21,150	21,452	9,452	(12,000)
Total Intergovernmental Revenues	662,250	719,502	707,395	(12,107)
Charges for Services				
Meal Payment - Children	209,000	191,500	191,207	(293)
Meal Payment - Adults	24,100	20,150	20,119	(31)
Income from Breakfast	625	775	767	(8)
A La Carte Sales	48,200	39,000	38,977	(23)
Other Charges for Services	6,000	7,800	7,792	(8)
Total Charges for Services	287,925	259,225	258,862	(363)
Investment Earnings	1,250	1,100	1,083	(17)
TOTAL REVENUES	951,425	979,827	967,340	(12,487)
EXPENDITURES				
Food Services				
Supervisor/Director	38,940	39,090	39,087	3
Cafeteria Personnel	282,225	270,225	270,002	223
Other Salaries and Wages	3,900	4,300	4,297	3
Social Security	19,900	19,900	18,886	1,014
State Retirement	35,805	34,405	22,325	12,080
Life Insurance	855	855	788	67
Medical Insurance	132,300	126,000	126,960	(960)
Dental Insurance	6,310	6,310	5,981	329
Medicare	4,640	4,640	4,433	207
Maintenance/Repair - Equipment	5,250	5,250	5,767	(517)
Transportation	5,700	2,802	2,701	101
Travel	150	150	118	32
Food Supplies	346,000	337,000	336,708	292
Office Supplies	2,300	1,600	1,283	317
USDA Commodities	32,700	59,400	59,383	17
Other Supplies and Materials	29,250	29,250	27,747	1,503
In-Service/Staff Development	950	950	950	-
Other Charges	1,750	5,200	5,176	24
Equipment	2,500	23,525	23,477	48
Capital Outlay	-	8,975	8,507	468
TOTAL EXPENDITURES	951,425	979,827	964,576	15,251

(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, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,764	2,764
FUND BALANCES, JULY 1, 2013	268,706	268,706	268,706	-
FUND BALANCES, JUNE 30, 2014	<u>\$ 268,706</u>	<u>268,706</u>	<u>271,470</u>	<u>2,764</u>

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, 2014

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
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, Race to the Top Incentive Grants 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
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital.

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:

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (Continued)

- 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.
- 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 Schools 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 Schools 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.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

Interfund Balances

The composition of interfund balances as of June 30, 2014 is as follows:

Transfer In	Transfer Out	Amount	Purpose
General Purpose School Fund	School Federal Projects Fund	\$ 24,273	Reimbursement for Indirect Costs

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.

ELIZABETHTON TENNESSEE CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

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.

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' net carrying amount of deposits was \$5,875,809 and the bank balance was \$6,342,990.

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	\$ 28,115	-	-	28,115
Due from Other Governments				
Federal and State	708,272	289,178	-	997,450
Carter County, Tax Allocation	2,913,391	-	-	2,913,391
Total Receivables	<u>\$ 3,649,778</u>	<u>289,178</u>	<u>0</u>	<u>3,938,956</u>

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 216,170	-	-	216,170
Construction in Progress	356,852	353,667	(563,378)	147,141
Total Capital Assets, Not Being Depreciated	573,022	353,667	(563,378)	363,311
Capital Assets, Being Depreciated				
Buildings	22,956,431	740,267	-	23,696,698
Equipment	1,597,168	387,018	(42,786)	1,941,400
Total Capital Assets, Being Depreciated	24,553,599	1,127,285	(42,786)	25,638,098
Less Accumulated Depreciation For				
Buildings	(9,609,559)	(458,311)	-	(10,067,870)
Equipment	(811,098)	(101,918)	40,647	(872,369)
Total Accumulated Depreciation	(10,420,657)	(560,229)	40,647	(10,940,239)
Total Capital Assets, Being Depreciated, Net	14,132,942	567,056	(2,139)	14,697,859
Total Capital Assets, Net	\$ 14,705,964	920,723	(565,517)	15,061,170

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 47,635	12,550	1,882	58,303	15,498
OPEB Liability	2,589,397	767,576	424,555	2,932,418	-
Governmental Activities					
Long-Term Liabilities	\$ 2,637,032	780,126	426,437	2,990,721	15,498

NOTE 4 - OTHER INFORMATION

Risk Management

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

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 the 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, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The School System requires employees to contribute 5.00% of earnable compensation.

The School System is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 8.29% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for the Schools is established and may be amended by the TCRS Board of Trustees.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION (CONTINUED)

Defined Benefit Plan (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2014, the Schools' annual pension cost of \$186,419 to TCRS was equal to the Schools' 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. The 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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 186,419	100%	\$ -
June 30, 2013	\$ 181,843	100%	\$ -
June 30, 2012	\$ 210,392	100%	\$ -

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.97% percent funded. The actuarial accrued liability (AAL) for benefits was \$8.25 million, and the actuarial value of assets was \$7.42 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.83 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.13 million, and the ratio of the UAAL to the covered payroll was 38.84% percent.

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2013	\$7,419	\$8,246	\$827	89.97%	\$2,128	38.84%
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%

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 the Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll. The employer contribution requirement for the 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, 2014, 2013 and 2012 were \$929,227, \$883,768, and \$856,125, respectively, equal to the required contributions for each year.

Post-Employment Healthcare Plan

Plan Description

The 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) 8-27-201 (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>.

Special Funding Situation

The state is legally responsible for contributions to the Teacher Group and Medicare Supplement Plans that cover the retirees of other governmental entities. The state provides a subsidy for retired higher education and local education agency (LEA) teachers in the plans. The state is not the sole employer for the LEA employees since some of these agencies provide additional direct subsidies and all provide implicit subsidies. However, the state is the sole contributor for the vast majority of higher education teachers that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

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.

The schools pay 100% of the monthly premium for individual coverage. Monthly premiums vary based upon the plan selected and for 2014 are as follows:

Monthly Premiums – Retiree:

PPO 30 plus years: \$297 to \$322, 20 years or less: \$406 to \$431 and 20 years to 29 years: \$351 to \$376 (single coverage)

Monthly Premiums – Active:

PPO \$540 (single coverage)

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

	<u>07/01/2013 -</u> <u>06/30/2014</u>
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 664,000
2. Interest on net OPEB Obligation	103,576
3. Adjustment to ARC	<u>(100,908)</u>
4. Annual OPEB Cost (Expense) (1+2+3)	666,668
5. Contribution made (assumed end of year)*	<u>323,647</u>
6. Increase (Decrease) in net OPEB Obligation (4 - 5)	343,021
7. Net OPEB Obligation - beginning of year - restated	<u>2,589,397</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u><u>\$ 2,932,418</u></u>

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

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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
6/30/2014	Teacher and Local Government	\$ 666,668	51.5%	\$ 2,932,418
6/30/2013	Teacher and Local Government	\$ 803,733	44.3%	\$ 2,589,397
6/30/2012	Teacher and Local Government	\$ 798,031	17.7%	\$ 2,141,527

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial Valuation Date	July 1, 2013
Actuarial Accrued Liability (AAL)	\$ 5,642,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,642,000</u>
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	\$ 13,978,807
UAAL as a Percentage of Covered Payroll	40%

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, 2014

NOTE 4 - OTHER INFORMATION (CONTINUED)

Post-Employment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

In the July 1, 2013 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 7.5 percent. The rate decreased to 7 percent in fiscal year 2015, and then will be reduced by decrements to an ultimate rate of 4.7 percent in fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

Total on-behalf payments were \$114,711.

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.

Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

Subsequent Event

Subsequent to year end, the School System received contributions of \$510,000 for the construction of the athletic complex.

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, 2014

(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, 2013	\$7,419	\$8,246	\$827	89.97%	\$2,128	38.84%
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%

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, 2014

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, 2013	\$0	\$5,642,000	\$5,642,000	0.00%	13,978,807	40.36%
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%

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, 2014

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2013	Cash Receipts	Expenditures	Balance June 30, 2014
<u>School Federal Projects Fund</u>						
Pass-Through State of Tennessee						
84.048	Carl Perkins (CTE Program Improvements)	U.S. Department of Education	\$ (387)	31,987	31,600	-
Special Education Cluster						
84.027	IDEA, Part B	U.S. Department of Education	-	404,444	501,295	(96,851) *
84.173	IDEA, Preschool	U.S. Department of Education	(3,613)	11,737	11,460	(3,336) *
	Total IDEA		(3,613)	416,181	512,755	(100,187)
84.196	Title X McKinney Vento-Homeless	U.S. Department of Education	(9,696)	20,912	20,500	(9,284) *
84.010	Title I, Project	U.S. Department of Education	(36,983)	615,043	737,260	(159,200) *
84.048	Title II, Part A	U.S. Department of Education	(36,421)	117,782	81,361	-
84.395	ARRA - State Fiscal Stabilization Fund Race to the Top Incentive Grants, Recovery Act	U.S. Department of Education	(142)	242,741	242,599	-
84.287	Title IV, Part B, 21st Century Community Learning Centers	U.S. Department of Education	(26,739)	66,360	57,500	(17,879) *
Pass-Through Tennessee Department of Human Services						
84.126	Vocational Rehabilitation Z-14-70507-00	Department of Human Services	(1,847)	22,492	23,273	(2,628) *
Total School Federal Projects Fund			\$ (115,828)	1,533,498	1,706,848	(289,178)

* 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, 2014

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2013	Cash Receipts	Expenditures	Balance June 30, 2014
<u>School Nutrition Fund</u>						
Pass-Through State of Tennessee						
Child Nutrition Cluster						
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	153,308	153,308	-
10.555	National School Lunch Program	U.S. Department of Agriculture	-	467,886	467,886	-
10.500	National Snack Reimbursement	U.S. Department of Agriculture	-	17,366	17,366	-
Pass-Through Tennessee Department of Agriculture						
10.555	USDA: Commodity Supplemental Feeding- Commodities Distributed	Tennessee Department of Agriculture	-	59,383	59,383	-
Total School Nutrition Fund			0	697,943	697,943	0
TOTAL FEDERAL GRANTS			\$ (115,828)	2,231,441	2,404,791	(289,178)

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, 2014

CFDA Number	Program Name/Grant Number	Grantor Agency	Balance July 1, 2013	Cash Receipts	Expenditures	Balance June 30, 2014
<u>General Purpose School Fund</u>						
N/A	Coordinated School Health	Tennessee Department of Education	\$ (27,540)	90,266	85,000	(22,274) *
N/A	LEAP	Tennessee Department of Education	(4,504)	109,516	113,438	(8,426) *
N/A	SSMS	Tennessee Department of Education	-	6,438	6,438	-
N/A	ConnectTenn	Tennessee Department of Education	-	7,058	7,058	-
N/A	Energy Efficient School Initiative	Tennessee Department of Education	-	-	10,025	(10,025) *
N/A	Early Childhood Grant	Tennessee Department of Education	(83,753)	407,076	400,701	(77,378) *
N/A	Basic Education Program	Tennessee Department of Education	-	11,455,000	11,455,000	-
N/A	Tech Fund PARCC	Tennessee Department of Education	-	152,961	152,961	-
N/A	Driver's Education	Tennessee Department of Education	(4,000)	4,355	9,580	(9,225) *
N/A	Career Ladder	Tennessee Department of Education	(8,880)	89,387	85,631	(5,124) *
N/A	Extended Contract	Tennessee Department of Education	-	46,495	46,495	-
N/A	Safe Schools	Tennessee Department of Education	(3,412)	17,312	13,900	-
N/A	Testing	Tennessee Department of Education	-	6,477	6,477	-
N/A	Arts Ticket Subsidy	Tennessee Arts Commission	-	805	805	-
N/A	Other State Funds	Tennessee Department of Education	-	115,240	115,240	-
Total General Purpose School Fund			(132,089)	12,508,386	12,508,749	(132,452)
<u>School Nutrition Fund</u>						
N/A	State Matching Funds	Tennessee Department of Agriculture	-	9,452	9,452	-
Total School Nutrition Fund			0	9,452	9,452	0
TOTAL STATE GRANTS			\$ (132,089)	12,517,838	12,518,201	(132,452)

* Receivable

** Unused Revenue

SECTION II

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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, 2014, 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 18, 2014.

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, PC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 18, 2014

**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, 2014. 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.

Elizabethton City Schools
Independent Auditors' Report on
Compliance For Each Major Program

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, 2014.

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, P.C.
BLACKBURN, CHILDERS & STEAGALL, P.C.
Johnson City, Tennessee

November 18, 2014

ELIZABETHTON CITY SCHOOLS
(A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

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 USDA School Breakfast Program, CFDA #10.533 and USDA School Lunch Program, CFDA #10.555; and State Fiscal Stabilization Fund Race to the Top Incentive Grants, Recovery Act, CFDA #84.395.
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