

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2016

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elizabethtown Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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.

Auditor's 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 on 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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the District adopted Governmental Accounting Standards Board Statement 72, *Fair Value Measurement and Application* and Statement 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10, budgetary comparison information on pages 47 to 48, schedule of proportionate share of the net pension liability on pages 49 to 50 and schedule of contributions on pages 51 to 52 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 Elizabethtown Independent School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2016, on our consideration of Elizabethtown Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Elizabethtown Independent School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

The discussion and analysis of Elizabethtown Independent School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the District was \$13 million. Ending cash and investments were \$11.9 million.
- Following the completion of the District long-range plan for facilities, there is a focus on investing in plant management with the age and size of our facilities reflective of this need.
- The District's general fund fund balance improved. Fund balance increased by \$423 thousand.
- The General Fund had \$20.4 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$19.8 million in General Fund expenditures.
- Bonds are issued as the District builds and renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District issued the 2015A and 2015B bonds during the year

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds include the food service operation. The fiduciary funds are agency funds and private purpose trust funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was \$15.5 million as of June 30, 2016.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the periods ending June 30, 2016 and 2015
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 11,878,772	\$ 12,918,177	\$ 531,553	\$ 550,978	\$ 12,410,325	\$ 13,469,155
Capital Assets	36,094,301	29,675,156	259,256	311,354	36,353,557	29,986,510
Total Assets	47,973,073	42,593,333	790,809	862,332	48,763,882	43,455,665
Deferred Outflows	845,240	627,186	130,595	83,882	975,835	711,068
Long-term Debt	30,679,280	25,149,691	839,141	677,663	31,518,421	25,827,354
Other Liabilities	2,314,385	2,081,505	10,409	7,994	2,324,794	2,089,499
Total Liabilities	32,993,665	27,231,196	849,550	685,657	33,843,215	27,916,853
Deferred Inflows	292,746	379,428	55,939	75,572	348,685	455,000
Net Position						
Net investment in capital assets	10,049,367	8,255,085	259,256	311,354	10,308,623	8,566,439
Restricted	4,588,931	6,230,113	-	-	4,588,931	6,230,113
Unrestricted	893,604	1,124,697	(243,341)	(126,369)	650,263	998,328
Total Net Position	\$ 15,531,902	\$ 15,609,895	\$ 15,915	\$ 184,985	\$ 15,547,817	\$ 15,794,880

The following are significant current year transactions that have had an impact on the Statement of Net Position.

The District invested \$8.2 million in capital assets, issued the 2015A and 2015B energy conservation bonds for \$5.7 million and paid principal of \$1.1 million on its bonds.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2016, net of Interfund transfers, were \$29.9 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1.9 million more than budget or approximately 9%. This variance was related to on-behalf payments that were not budgeted.
- The total cost of all programs and services including debt service was \$28.4 million.
- General fund budget expenditures to actual varied significantly in Instruction and Other Expenses. This resulted from the District not budgeting on-behalf payments made by the State of Kentucky and not having to spend budgeted contingency funds.

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
REVENUES:						
Program revenues:						
Charges for services	\$ 332,939	\$ 333,445	\$ 482,411	\$ 473,352	\$ 815,350	\$ 806,797
Operating grants and contributions	9,311,763	7,875,970	1,107,049	1,071,507	10,418,812	8,947,477
Capital grants and contributions	1,868,803	1,983,907	-	-	1,868,803	1,983,907
General revenues:						
Property taxes	4,911,113	4,653,744	-	-	4,911,113	4,653,744
Motor vehicle taxes	285,634	280,601	-	-	285,634	280,601
Utility taxes	913,965	961,960	-	-	913,965	961,960
Revenue in lieu of taxes	108,160	108,162	-	-	108,160	108,162
Gain on disposal of capital assets	10,613	34,009	-	-	10,613	34,009
Investment earnings	185,509	176,417	4,978	5,482	190,487	181,899
State and formula grants	10,311,975	10,280,937	-	-	10,311,975	10,280,937
Miscellaneous	40,623	2,947	-	-	40,623	2,947
Total revenues	28,281,097	26,692,099	1,594,438	1,550,341	29,875,535	28,242,440
EXPENSES						
Program Activities						
Instruction	19,323,737	16,942,342	-	-	19,323,737	16,942,342
Student support	949,507	880,759	-	-	949,507	880,759
Instructional staff support	1,005,738	959,095	-	-	1,005,738	959,095
District administrative support	502,717	451,646	-	-	502,717	451,646
School administrative support	1,401,710	1,312,318	-	-	1,401,710	1,312,318
Business support	845,614	666,436	-	-	845,614	666,436
Plant operation and maintenance	2,473,516	2,491,018	-	-	2,473,516	2,491,018
Student transportation	754,245	880,865	-	-	754,245	880,865
Community service activities	158,790	156,158	-	-	158,790	156,158
Other	82,485	40,800	-	-	82,485	40,800
Interest costs	928,438	984,645	-	-	928,438	984,645
Business-type Activities:						
Food service	-	-	1,544,828	1,388,917	1,544,828	1,388,917
Daycare	-	-	151,273	135,425	151,273	135,425
Total expenses	28,426,497	25,766,082	1,696,101	1,524,342	30,122,598	27,290,424
Excess before transfers	(145,400)	926,017	(101,663)	25,999	(247,063)	952,016
Extraordinary item - KSBIT	-	95,626	-	-	-	95,626
Transfers	67,407	67,541	(67,407)	(67,541)	-	-
Increase (decrease) in net position	\$ (77,993)	\$ 1,089,184	\$ (169,070)	\$ (41,542)	\$ (247,063)	\$ 1,047,642

Governmental Activities

Instruction comprises 68% of governmental program expenses. Support services expenses make up 28% of government expenses. The remaining expense for community services, interest and other expense accounts for the remaining 4% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities Total
Cost of Services

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 19,323,737	\$ 16,942,342	\$ 11,050,555	\$ 10,203,535
Support Services	7,933,047	7,642,137	6,675,387	6,283,851
Community Services & Other	241,275	196,958	83,415	40,636
Facilities acquisition and construction	-	-	(1,187,740)	(1,241,852)
Interest costs	928,438	984,645	291,375	286,590
Total expenses	<u><u>\$ 28,426,497</u></u>	<u><u>\$ 25,766,082</u></u>	<u><u>\$ 16,912,992</u></u>	<u><u>\$ 15,572,760</u></u>

Business-Type Activities

The business-type activities include the food service and daycare operations. These programs had total revenues of \$1,594,438 and expenses of \$1,696,101 for fiscal year 2016. Of the revenues, \$482,411 was charges for services, \$1,107,049 was from State and Federal grants and \$4,978 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for these activities.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$41.3 million and expenditures and other financing uses of \$42.5 million.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund, revenues were budgeted at \$16.3 million, with actual amounts of \$19.8 million. Budgeted expenditures of \$21.7 million compare with actual expenditures of \$19.8 million. The most significant fluctuation is for unbudgeted on-behalf payments of \$4.2 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016 the School District had \$36.4 million invested in land, buildings, vehicles, equipment and construction in progress and \$36.1 million in governmental activities. Table 4 shows fiscal year 2016 and 2015 balances.

(Table 4)
Capital Assets at June 30, 2016 and 2015
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 343,540	\$ 353,645	\$ -	\$ -	\$ 343,540	\$ 353,645
Buildings and improvements	27,834,335	28,631,301	16,742	21,642	27,851,077	28,652,943
Technology	42,014	267,009	-	-	42,014	267,009
Vehicles	45,603	90,636	-	-	45,603	90,636
General equipment	255,253	288,566	242,514	289,712	497,767	578,278
Total	28,520,745	29,631,157	259,256	311,354	28,780,001	29,942,511
Construction in progress	7,573,556	43,999	-	-	7,573,556	43,999
Total	<u>\$ 36,094,301</u>	<u>\$ 29,675,156</u>	<u>\$ 259,256</u>	<u>\$ 311,354</u>	<u>\$ 36,353,557</u>	<u>\$ 29,986,510</u>

Table 5 shows changes in capital assets for the years ended June 30, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 29,675,156	\$ 30,774,003	\$ 311,354	\$ 374,898	\$ 29,986,510	\$ 31,148,901
Additions	8,240,307	4,064,229	-	584	8,240,307	4,064,813
Retirements	(342)	(3,578,225)	-	-	(342)	(3,578,225)
Depreciation	(1,820,820)	(1,584,851)	(52,098)	(64,128)	(1,872,918)	(1,648,979)
Ending balance	<u>\$ 36,094,301</u>	<u>\$ 29,675,156</u>	<u>\$ 259,256</u>	<u>\$ 311,354</u>	<u>\$ 36,353,557</u>	<u>\$ 29,986,510</u>

Debt

At June 30, 2016, the School District had \$26.4 million in bonds outstanding, of this amount \$1.4 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$958 thousand is due within one year.

District Challenges for the Future

Elizabethtown Independent School District's financial status has remained steady in the last fiscal year. However, as we look forward, we expect unfunded mandates and the national economic climate to have an impact on our District.

The School District has experienced a decrease in student enrollment during the past year.

The District is experiencing increased personnel costs associated with preschool and special needs programs that have not been funded through state or federal programs. In addition, retirement costs of KTRS and CERS continue to increase.

Increased costs have, in the past, been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District. Our property tax base remained steady; however our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property. Our state funding called SEEK is based on the prior end of year ADA, due to decrease in student enrollment in 15-16, the 16-17 budget will show a decrease in State Revenue and will need to adjust expenditures accordingly.

The District entered into a Guaranteed Energy Savings Contract beginning the 2015-16 budget year. The district issued a bond to pay for the replacement and repairs of major HVAC and Lighting systems. The bond is financed thru the General Fund and the debt should be paid by significant decrease in utility costs.

With careful planning and monitoring of our finances, Elizabethtown Independent Schools' goal is to continue to provide a quality education for our students and a secure financial future for the School District.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2016-17 with a 18% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Denise Morgan, Director of Finance, 219 Helm Street, Elizabethtown, Kentucky, 42701, (270) 765-6146.

BASIC FINANCIAL STATEMENTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 8,993,229	\$ 504,957	\$ 9,498,186
Investments	2,425,488		2,425,488
Interfund balances	14,200	(14,200)	-
Inventory		27,359	27,359
Receivables:			
Taxes-current	79,038		79,038
Taxes-delinquent	11,065		11,065
Other receivables	44,463		44,463
Intergovernmental-State	34,630		34,630
Intergovernmental-Indirect Federal	276,659	13,437	290,096
Total Current Assets	11,878,772	531,553	12,410,325
Noncurrent Assets			
Non-depreciable capital assets	7,841,351		7,841,351
Depreciable capital assets, net of accumulated depreciation	28,252,950	259,256	28,512,206
Total Noncurrent Assets	36,094,301	259,256	36,353,557
Total Assets	47,973,073	790,809	48,763,882
Deferred Outflows of Resources			
CERS	663,437	130,595	814,032
Deferred amount on debt refundings	161,803		161,803
Total Deferred Outflows of Resources	845,240	130,595	975,835
Liabilities			
Current Liabilities			
Accounts payable	677,729	10,409	688,138
Accrued payroll and related expenses	1,067		1,067
Unearned revenue	166,380		166,380
Bond obligations	958,000		958,000
Capital lease obligations	38,637		38,637
Compensated absences	344,605		344,605
Interest payable	127,967		127,967
Total Current Liabilities	2,314,385	10,409	2,324,794
Noncurrent Liabilities			
Bond obligations	25,210,100		25,210,100
Net pension liability - CERS	4,391,440	839,141	5,230,581
Compensated absences	1,077,740		1,077,740
Total Noncurrent Liabilities	30,679,280	839,141	31,518,421
Total Liabilities	32,993,665	849,550	33,843,215
Deferred Inflows of Resources			
CERS	292,746	55,939	348,685
Total Deferred Inflows of Resources	292,746	55,939	348,685
Net Position			
Net investment in capital assets	10,049,367	259,256	10,308,623
Restricted	4,588,931		4,588,931
Unrestricted	893,604	(243,341)	650,263
Total Net Position	\$ 15,531,902	\$ 15,915	\$ 15,547,817

The notes to the financial statements are an integral part of this statement

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 19,323,737	\$ 332,939	\$ 7,896,243	\$ 44,000	\$ (11,050,555)	\$ -	\$ (11,050,555)
Support services:							
Student	949,507		209,558		(739,949)		(739,949)
Instruction staff	1,005,738		414,289		(591,449)		(591,449)
District administrative	502,717		185,144		(317,573)		(317,573)
School administrative	1,401,710				(1,401,710)		(1,401,710)
Business	845,614		245,883		(599,731)		(599,731)
Plant operation and maintenance	2,473,516		104,521		(2,368,995)		(2,368,995)
Student transportation	754,245		98,265		(655,980)		(655,980)
Community service activities	158,790		157,860		(930)		(930)
Facilities acquisition and construction				1,187,740	1,187,740		1,187,740
Other	82,485				(82,485)		(82,485)
Interest on long-term debt	928,438				(291,375)		(291,375)
Total Governmental Activities	28,426,497	332,939	9,311,763	1,868,803	(16,912,992)	-	(16,912,992)
Business-Type Activities:							
Food service	1,544,828	353,590	1,096,232			(95,006)	(95,006)
Daycare	151,273	128,821	10,817			(11,635)	(11,635)
Total Business-Type Activities	1,696,101	482,411	1,107,049	-	-	(106,641)	(106,641)
Total Primary Government	\$ 30,122,598	\$ 815,350	\$ 10,418,812	\$ 1,868,803	(16,912,992)	(106,641)	(17,019,633)
General Revenues:							
Taxes:							
Property taxes					4,911,113		4,911,113
Motor vehicle taxes					285,634		285,634
Utility taxes					913,965		913,965
Revenue in lieu of taxes					108,160		108,160
Gain on disposal of capital assets					10,613		10,613
Investment earnings					185,509	4,978	190,487
State and formula grants					10,311,975		10,311,975
Miscellaneous					40,623		40,623
Transfers					67,407	(67,407)	-
Total general revenues and transfers					16,834,999	(62,429)	16,772,570
Change in net position					(77,993)	(169,070)	(247,063)
Net position - beginning					15,609,895	184,985	15,794,880
Net position - ending					\$ 15,531,902	\$ 15,915	\$ 15,547,817

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 6,474,217	\$ 26,888	\$ 1,184,430	\$ -	\$ 1,307,694	\$ 8,993,229
Investments			541,690	1,883,798		2,425,488
Due from other funds	14,200					14,200
Receivables:						
Taxes - current	79,038					79,038
Taxes - delinquent	11,065					11,065
Other receivables	42,694	1,769				44,463
Intergovernmental - State		34,630				34,630
Intergovernmental - Indirect Federal		276,659				276,659
Total Assets	\$ 6,621,214	\$ 339,946	\$ 1,726,120	\$ 1,883,798	\$ 1,307,694	\$ 11,878,772
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ 143,985	\$ 30,976	\$ 498,144	\$ -	\$ 4,624	\$ 677,729
Accrued payroll and related expenses	1,067					1,067
Unearned revenue		166,380				166,380
Total Liabilities	145,052	197,356	498,144	-	4,624	845,176
Fund Balances						
Restricted	100,000	142,590	1,227,976	1,883,798	1,234,567	4,588,931
Committed	600,000				68,503	668,503
Unassigned	5,776,162					5,776,162
Total Fund Balances	6,476,162	142,590	1,227,976	1,883,798	1,303,070	11,033,596
Total Liabilities and Fund Balances	\$ 6,621,214	\$ 339,946	\$ 1,726,120	\$ 1,883,798	\$ 1,307,694	\$ 11,878,772

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

Total fund balance per fund financial statements	\$ 11,033,596
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	36,094,301
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	161,803
Governmental funds do not record deferred outflows of resources for pensions but those are reported on the statement of net position as deferred outflows of resources.	683,437
Governmental funds do not record deferred inflows of resources for pensions but those are reported on the statement of net position as deferred inflows of resources.	(292,746)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(26,168,100)
Capital lease obligations	(38,637)
Interest payable	(127,967)
Compensated absences	(1,422,345)
Net pension liability - CERS	(4,391,440)
Net position for governmental activities	<u>\$ 15,531,902</u>

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	\$ 4,162,327	\$ -	\$ -	\$ -	\$ 748,786	\$ 4,911,113
Motor vehicle	268,712				16,922	285,634
Utilities	913,965					913,965
Revenue in lieu of taxes	108,160					108,160
Tuition and fees	332,939					332,939
Earnings on investments	112,079	1,469	75	55,374	16,512	185,509
Other local revenues	40,623	70,927			92,404	203,954
Intergovernmental - State	14,458,816	862,379		180,386	1,187,740	16,689,321
Intergovernmental - Indirect Federal	29,465	1,207,582				1,237,047
Intergovernmental - Direct Federal	10,850			456,677		467,527
Total Revenues	20,437,936	2,142,357	75	692,437	2,062,364	25,335,169
Expenditures:						
Instruction	13,079,535	1,736,583			88,450	14,904,568
Support services:						
Student	887,136	35,991				923,127
Instruction staff	760,605	229,145				989,750
District administrative	481,435					481,435
School administrative	1,334,130					1,334,130
Business	774,791					774,791
Plant operation and maintenance	1,790,829	21			4,088	1,794,938
Student transportation	644,541	6,381				650,922
Community service activities		157,860				157,860
Other non-instruction	40,134					40,134
Facilities acquisition and construction			8,269,181			8,269,181
Bond issuance costs				53,610		53,610
Debt service:						
Principal				1,059,000		1,059,000
Interest				856,534		856,534
Total Expenditures	19,793,136	2,165,981	8,269,181	1,969,144	92,538	32,289,980
Excess (Deficit) of Revenues over Expenditures	644,800	(23,624)	(8,269,106)	(1,276,707)	1,969,826	(6,954,811)
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	10,953					10,953
Bond proceeds from revenue bonds				5,700,000		5,700,000
Bond discount				(41,947)		(41,947)
Transfers in	67,407	60,109	8,538,462	1,593,804		10,259,782
Transfers out	(300,242)			(5,604,446)	(4,287,687)	(10,192,375)
Total Other Financing Sources (Uses)	(221,882)	60,109	8,538,462	1,647,411	(4,287,687)	5,736,413
Net Change in Fund Balances	422,918	36,485	269,356	370,704	(2,317,861)	(1,218,398)
Fund Balance, July 1, 2015	6,053,244	106,105	958,620	1,513,094	3,620,931	12,251,994
Fund Balance, June 30, 2016	\$ 6,476,162	\$ 142,590	\$ 1,227,976	\$ 1,883,798	\$ 1,303,070	\$ 11,033,596

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Net change in total fund balances per fund financial statements	\$ (1,218,398)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	6,419,487
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(5,604,443)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,096,240
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(372)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(640,130)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(130,377)</u>
Change in net position of governmental activities	<u>\$ (77,993)</u>

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

	Food Service Fund	Daycare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 471,028	\$ 33,929	\$ 504,957
Intergovernmental - Indirect Federal	13,437		13,437
Inventory	27,359		27,359
Total Current Assets	511,824	33,929	545,753
<u>Noncurrent Assets</u>			
Depreciable capital assets, net of accumulated depreciation	259,256		259,256
Total Noncurrent Assets	259,256	-	259,256
Total Assets	771,080	33,929	805,009
Deferred Outflows of Resources			
CERS	108,398	22,197	130,595
Total Deferred Outflows of Resources	108,398	22,197	130,595
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	10,409		10,409
Due to other funds	14,200		14,200
Total Current Liabilities	24,609	-	24,609
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	696,514	142,627	839,141
Total Noncurrent Liabilities	696,514	142,627	839,141
Total Liabilities	721,123	142,627	863,750
Deferred Inflows of Resources			
CERS	46,431	9,508	55,939
Total Deferred Inflows of Resources	46,431	9,508	55,939
<u>Net Position</u>			
Net investment in capital assets	259,256		259,256
Unrestricted	(147,332)	(96,009)	(243,341)
Total Net Position	\$ 111,924	\$ (96,009)	\$ 15,915

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 353,590	\$ -	\$ 353,590
Tuition and fees		128,821	128,821
Total Operating Revenues	353,590	128,821	482,411
Operating Expenses:			
Salaries and wages	694,259	148,133	842,392
Materials and supplies	740,155	1,850	742,005
Depreciation	52,098		52,098
Other operating expenses	58,316	1,290	59,606
Total Operating Expenses	1,544,828	151,273	1,696,101
Operating income (loss)	(1,191,238)	(22,452)	(1,213,690)
Non-Operating Revenues (Expenses):			
Federal grants	913,828		913,828
Donated commodities	86,475		86,475
State on-behalf payments	83,202	10,817	94,019
State grants	12,727		12,727
Interest income	4,978		4,978
Total Non-Operating Revenues (Expenses) before Transfers	1,101,210	10,817	1,112,027
Transfers out	(67,407)		(67,407)
Change in net position	(157,435)	(11,635)	(169,070)
Net Position, July 1, 2015	269,359	(84,374)	184,985
Net Position June 30, 2016	<u>\$ 111,924</u>	<u>\$ (96,009)</u>	<u>\$ 15,915</u>

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 353,590	\$ -	\$ 353,590
Tuition and fees		128,821	128,821
Cash paid to/for:			
Employees	522,925	130,316	653,241
Supplies	667,571	1,983	669,554
Other activities	58,316	1,290	59,606
Net Cash Provided (Used) by Operating Activities	(895,222)	(4,768)	(899,990)
Cash flows from Non-Capital Financing Activities			
Federal grants	900,390		900,390
State grants	12,727		12,727
Transfers out	(67,407)		(67,407)
Net Cash Provided by Non-Capital Financing Activities	845,710	-	845,710
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	-	-
Net Cash Used by Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Receipt of interest income	4,978		4,978
Net Cash Provided by Investing Activities	4,978	-	4,978
Net increase in cash and cash equivalents	(44,534)	(4,768)	(49,302)
Balances, beginning of year	515,562	38,697	554,259
Balances, end of year	\$ 471,028	\$ 33,929	\$ 504,957
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,191,238)	\$ (22,452)	\$ (1,213,690)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	52,098		52,098
State on-behalf payments	83,202	10,817	94,019
Donated commodities	86,475		86,475
GASB 68 pension expense	88,132	7,000	95,132
Change in assets and liabilities:			
Inventory	1,707		1,707
Accounts payable	2,549	(133)	2,416
Due to other funds	(18,147)		(18,147)
Net cash provided (used) by operating activities	\$ (895,222)	\$ (4,768)	\$ (899,990)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 86,475	\$ -	\$ 86,475
State on-behalf payments	\$ 83,202	\$ 10,817	\$ 94,019
CERS pension	\$ 88,132	\$ 7,000	\$ 95,132

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2016

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 181,026	\$ 280,221
Receivables	7,290	
Total Assets	<u>188,316</u>	<u>280,221</u>
Liabilities		
Accounts payable		3,794
Due to student groups		276,427
Total Liabilities	<u>-</u>	<u>280,221</u>
Net Position Held in Trust	<u>\$ 188,316</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions	
Contributions	\$ 31,239
Net interest and investment gains (losses)	<u>1,999</u>
	33,238
Deductions	
Scholarships paid	<u>(54,500)</u>
Change in net position	(21,262)
Net Position, July 1, 2015	<u>209,578</u>
Net Position, June 30, 2016	<u><u>\$ 188,316</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Elizabethtown Independent School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Elizabethtown Independent Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Elizabethtown Independent School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Elizabethtown Independent School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Elizabethtown Independent School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Elizabethtown Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law. This is a major fund.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.
- (B) The Daycare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for vacation and accumulated sick leave. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. This statement was adopted during the fiscal year ended June 30, 2016 and did not have an impact on the District's financial statements.

In December 2015, the GASB issued Statement 79, *Certain External Investment Pools and Pool Participants*. This statement is effective for periods beginning after June 15, 2015. This statement was adopted during the fiscal year ended June 30, 2016 and did not have an impact on the District's financial statements.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 72*. This statement is effective for periods beginning after June 15, 2016 except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.751 per \$100 valuation for real property, \$.751 per \$100 valuation for business personal property and \$.538 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2016, \$10,830,304 of the District's bank balance of \$11,080,304 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2016, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	\$ 665,485	Not Rated	\$ 665,485
Federal National Mortgage Association Note	1,760,003	AAA	1,760,003
Total Investments	<u>\$ 2,425,488</u>		<u>\$ 2,425,488</u>

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable. Ratings are from Moody's Investors Service.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics: 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended; 2. The management company of the investment company shall have been in operation for at least five (5) years; and 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are level 1 inputs.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 60,109
General	Construction	Construction	48,241
General	Debt Service	Debt Service	191,893
Debt Service	Construction	Construction	5,604,446
Nonmajor Governmental	Debt Service	Debt Service	1,401,911
Nonmajor Governmental	Construction	Construction	2,885,775
Food Service	General	Indirect Costs	67,407

Government Wide Financial Statements

Food Service	General	Indirect Costs	67,407
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The Food Service fund also owed the General Fund \$14,200 for indirect costs at year-end.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Capital Assets Not Being Depreciated:				
Land	\$ 267,795	\$ -	\$ -	\$ 267,795
Construction in progress	43,999	8,240,307	(710,750)	7,573,556
Total Capital Assets Not Being Depreciated	311,794	8,240,307	(710,750)	7,841,351
Capital Assets Being Depreciated:				
Land improvements	568,233			568,233
Buildings and improvements	43,529,888	710,750		44,240,638
Technology equipment	1,509,285		(51,021)	1,458,264
Vehicles	1,286,430		(116,990)	1,169,440
General equipment	1,005,849			1,005,849
Total Capital Assets Being Depreciated at Historical Cost	47,899,685	710,750	(168,011)	48,442,424
Accumulated depreciation:				
Land improvements	482,383	10,105		492,488
Buildings and improvements	14,898,587	1,507,716		16,406,303
Technology equipment	1,242,276	224,653	(50,679)	1,416,250
Vehicles	1,195,794	45,033	(116,990)	1,123,837
General equipment	717,283	33,313		750,596
Total accumulated depreciation	18,536,323	1,820,820	(167,669)	20,189,474
Total Other Capital Assets, net	29,363,362	(1,110,070)	(342)	28,252,950
Governmental Activities Capital Assets - Net	<u>\$ 29,675,156</u>	<u>\$ 7,130,237</u>	<u>\$ (711,092)</u>	<u>\$ 36,094,301</u>
<u>Business-Type Activities</u>				
Buildings and improvements	\$ 339,450	\$ -	\$ -	\$ 339,450
Food service equipment	1,005,406			1,005,406
Totals at historical cost	1,344,856	-	-	1,344,856
Accumulated depreciation:				
Buildings and improvements	317,808	4,900		322,708
Food service equipment	715,694	47,198		762,892
Total accumulated depreciation	1,033,502	52,098	-	1,085,600
Business-Type Activities Capital Assets - Net	<u>\$ 311,354</u>	<u>\$ (52,098)</u>	<u>\$ -</u>	<u>\$ 259,256</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 1,231,794
Student support	509
Instructional staff	1,851
District administration	401
School administration	70
Business support	475
Plant	549,373
Transportation	36,347
	<u>\$ 1,820,820</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2016

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 21,732,000	\$ 5,700,000	\$ 1,059,000	\$ 26,373,000	\$ 958,000
Capital leases	75,877		37,240	38,637	38,637
	21,807,877	5,700,000	1,096,240	26,411,637	996,637
Less Discount/premium	(181,767)	(41,947)	18,814	(204,900)	-
Total Bonds and Leases Payable	21,626,110	5,658,053	1,115,054	26,206,737	996,637
Other Liabilities:					
Compensated absences	1,414,560	93,208	85,423	1,422,345	344,605
Total Other Liabilities	1,414,560	93,208	85,423	1,422,345	344,605
Total Governmental Activities Long-Term Liabilities	\$ 23,040,670	\$ 5,751,261	\$ 1,200,477	\$ 27,629,082	\$ 1,341,242

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Rates</u>
1998	\$ 850,000	4.25% - 4.95%
2005B REF	589,000	2.80% - 3.65%
2010 QSCB	6,425,000	5.45%
2010 QZAB	2,470,000	5.63%
2011R	4,625,000	1.50% - 2.60%
2013	3,345,000	1.00% - 2.125%
2015R	4,825,000	1.00% - 3.00%
2015A	5,165,000	2.00% - 3.125%
2015B	535,000	1.4% - 3.2%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Elizabethtown Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On October 12 2015, the District issued \$5,165,000 in 2015A Series Energy Conservation Bonds with an average interest rate of 2.86 percent. The net proceeds of \$5,084,389 (after \$43,983 in cost of issuance and \$36,628 of discount) were deposited in the Construction Fund.

On October 12 2015, the District issued \$535,000 in 2015B Series Energy Conservation Bonds with an average interest rate of 3.02 percent. The net proceeds of \$521,054 (after \$8,626 in cost of issuance and \$5,320 of discount) were deposited in the Construction Fund.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2016, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Participation	U.S. Government Participation	District's Portion
2017	\$ 958,000	\$ 911,084	\$ 101,138	\$ 482,109	\$ 1,285,837
2018	975,000	894,357	81,427	482,109	1,305,821
2019	1,020,000	876,083	71,056	482,109	1,342,918
2020	1,030,000	855,492	43,056	482,109	1,360,327
2021	1,060,000	833,675	43,056	482,109	1,368,510
2022-2026	4,660,000	3,802,785	120,161	2,410,545	5,932,079
2027-2031	15,155,000	1,920,750	1,004,080	1,205,273	14,866,397
2032-2035	1,515,000	98,616			1,613,616
	<u>\$ 26,373,000</u>	<u>\$ 10,192,842</u>	<u>\$ 1,463,974</u>	<u>\$ 6,026,363</u>	<u>\$ 29,075,505</u>

Capital Lease Liabilities

The following is an analysis of the leased property under capital lease by class:

Classes of Property

Buses

Gross amount of assets	\$363,473
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These assets are included in depreciable capital assets and depreciated in the statement of activities.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2016:

2017	<u>40,134</u>
Total minimum lease payments	40,134
Less: Amount representing interest	<u>(1,497)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 38,637</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS

Plan Descriptions

The Elizabethtown Independent School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

KTRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2016.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$81,324,585.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$4,617,218 and revenue of \$4,617,218 (\$1,681,902 in the governmental funds and an additional \$2,935,316 in government-wide activities) for support provided by the State. At June 30, 2016, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.88%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2038 and the Municipal Bond Index Rate of 3.82% was applied to periods on or after 2038, resulting in an SEIR of 4.88%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.82%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.88 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.88 percent) or 1-percentage-point higher (5.88 percent) than the current rate:

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
System's net pension liability (in thousands)	30,402,796	24,427,568	19,482,972

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued KTRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2016, was 12.42 percent of annual creditable compensation. Contributions to the pension plan from the District were \$368,725.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$5,230,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.121655 percent which was a decrease of .004108 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$735,263. At June 30, 2016, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,049	\$ 273,000
Changes in actuarial assumptions	376,748	-
Difference between projected and actual investment earnings	37,510	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	75,685
Contributions paid to CERS subsequent to the measurement date	368,725	-
	<u>\$ 814,032</u>	<u>\$ 348,685</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$368,725 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2017	\$ 51,223
2018	51,223
2019	(15,200)
2020	9,378
	<u>\$ 96,624</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUEDDiscount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	6,677,495	5,230,581	3,991,440

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	10	0%
15-19	7	25%
10-14	5	50%
4-9	2	75%
Less than 4	0	100%

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2016, there were no nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2016, the District had \$100,000 restricted for sick leave in the general fund, \$142,590 restricted for grants in the special revenue fund, \$718,137 restricted for capital projects in the FSPK Fund, \$958,620 restricted for capital projects in the Construction Fund, \$516,430 restricted for capital projects in the SEEK Capital Outlay Fund and \$1,883,798 restricted for debt service in the debt service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$600,000 committed for future construction in the General Fund and \$68,503 committed for school funds in the District Activity Fund at June 30, 2016.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had no assigned fund balances at June 30, 2016.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 9 – FUND BALANCES – CONTINUED

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

The District has commitments related to construction projects at June 30, 2016.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss

NOTE 11 – DEFICIT OPERATING BALANCES

The Daycare had a deficit net position at June 30, 2016 in the amount of \$96,009. The deficit net position is a result of the recording of the net pension liability for CERS.

The following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

District Activity Fund	\$ 134
SEEK Capital Outlay Fund	519,268
FSPK Fund	1,798,459
Food Service Fund	157,435
Daycare Fund	11,635

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2016 were as follows:

Health	\$ 2,444,706
Life	4,085
Admin	29,903
HRA	167,650
KTRS	1,681,902
Technology	60,973
Debt Service	180,386
Less: Federal Reimbursement	<u>(148,359)</u>
Total on-behalf	<u>\$ 4,421,246</u>

Recorded as follows:

General Fund	\$ 4,146,841
Food Service Fund	83,202
Daycare Fund	10,817
Debt Service Fund	<u>180,386</u>
	<u>\$ 4,421,246</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 3,985,687	\$ 4,172,788	\$ 4,162,327
Motor vehicle	219,053	219,053	268,712
Utilities	950,000	950,000	913,965
Revenue in lieu of taxes	108,200	108,200	108,160
Tuition and fees	275,093	275,093	332,939
Earnings on investments	80,000	80,000	112,079
Other local revenues	47,000	47,000	40,623
Intergovernmental - State	10,422,144	10,422,144	14,458,816
Intergovernmental - Indirect Federal	15,000	15,000	29,465
Intergovernmental - Direct Federal	10,000	10,000	10,850
Total Revenues	16,112,177	16,299,278	20,437,936
Expenditures:			
Instruction	10,044,546	9,996,243	13,079,535
Support services:			
Student	742,799	742,799	887,136
Instruction staff	554,515	554,515	760,605
District administrative	524,578	536,578	481,435
School administrative	1,035,105	1,035,105	1,334,130
Business	854,560	854,561	774,791
Plant operation and maintenance	1,891,765	1,951,140	1,790,829
Student transportation	631,650	671,650	644,541
Other non-instruction	5,153,559	5,324,932	40,134
Total Expenditures	21,433,077	21,667,523	19,793,136
Excess (Deficit) of Revenues over Expenditures	(5,320,900)	(5,368,245)	644,800
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			10,953
Transfers in	65,000	65,000	67,407
Transfers out	(50,000)	(50,000)	(300,242)
Total Other Financing Sources (Uses)	15,000	15,000	(221,882)
Net Change in Fund Balance	(5,305,900)	(5,353,245)	422,918
Fund Balance, July 1, 2015	5,305,900	5,353,245	6,053,244
Fund Balance, June 30, 2016	\$ -	\$ -	\$ 6,476,162

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$4,146,841.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ -	\$ 1,469
Other local revenues		51,575	70,927
Intergovernmental - State	398,120	858,241	862,379
Intergovernmental - Indirect Federal	<u>1,140,812</u>	<u>1,212,642</u>	<u>1,207,582</u>
Total Revenues	1,538,932	2,122,458	2,142,357
Expenditures:			
Instruction	1,344,959	1,732,891	1,736,583
Support services:			
Student	38,377	55,635	35,991
Instruction staff	203,621	211,202	229,145
Plant operation and maintenance		75	21
Student transportation	1,975	17,270	6,381
Community service activities		<u>155,385</u>	<u>157,860</u>
Total Expenditures	<u>1,588,932</u>	<u>2,172,458</u>	<u>2,165,981</u>
Excess (Deficit) of Revenues over Expenditures	(50,000)	(50,000)	(23,624)
Other Financing Sources (Uses):			
Transfers in	50,000	50,000	60,109
Transfers out			
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>60,109</u>
Net Change in Fund Balance	-	-	36,485
Fund Balance, July 1, 2015	-	-	<u>106,105</u>
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,590</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.121655%	0.125763%
Proportionate share of the net pension liability	\$ 5,230,281	\$ 4,080,000
Covered - employee payroll	\$ 2,881,779	\$ 2,881,779
Proportionate share of the net pension liability as percentage of covered payroll	181.5%	141.6%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS NET PENSION LIABILITY**

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.349500%	0.3314%
District's proportionate share of the net pension liability	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>81,324,585</u>	<u>68,101,554</u>
Total	<u><u>\$ 81,324,585</u></u>	<u><u>\$ 68,101,554</u></u>
Covered - employee payroll	\$ 14,264,012	\$ 13,807,867
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 368,725	\$ 364,410
Contribution in relation to the actuarially determined contributions	<u>368,725</u>	<u>364,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,968,799	\$ 2,858,115
Contributions as a percentage of covered employee payroll	12.42%	12.75%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO KTRS

June 30, 2016

Last 10 Years *

	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 14,264,012	\$ 13,807,867
Contributions as a percentage of covered employee payroll	0.00%	0.00%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

CERS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. The following changes in assumptions were made:

- »»The assumed investment rate of return was decreased from 7.75% to 7.5%.
- »»The assumed rate of inflation was reduced from 3.5% to 3.25%.
- »»The assumed rate of wage inflation was reduced from 1% to .75%.
- »»Payroll growth assumption was reduced from 4.5% to 4%.
- »»The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- »»For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- »»Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

KTRS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. The following changes in assumptions were made:

Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	<u>District Activity Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 73,127	\$ 516,430	\$ 718,137	\$ 1,307,694
Total Assets	<u>\$ 73,127</u>	<u>\$ 516,430</u>	<u>\$ 718,137</u>	<u>\$ 1,307,694</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 4,624	\$ -	\$ -	\$ 4,624
Total Liabilities	<u>4,624</u>	<u>-</u>	<u>-</u>	<u>4,624</u>
Fund Balances				
Restricted		516,430	718,137	1,234,567
Committed	<u>68,503</u>			<u>68,503</u>
Total Fund Balances	<u>68,503</u>	<u>516,430</u>	<u>718,137</u>	<u>1,303,070</u>
Total Liabilities and Fund Balances	<u>\$ 73,127</u>	<u>\$ 516,430</u>	<u>\$ 718,137</u>	<u>\$ 1,307,694</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2016

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ 748,786	\$ 748,786
Motor vehicle			16,922	16,922
Other local revenue	92,404	-		92,404
Earnings on investments		5,217	11,295	16,512
Intergovernmental - State		226,293	961,447	1,187,740
Total Revenues	92,404	231,510	1,738,450	2,062,364
Expenditures				
Instruction	88,450			88,450
Support services:				
Plant operation and maintenance	4,088			4,088
Total Expenditures	92,538	-	-	92,538
Excess (Deficit) of Revenues over Expenditures	(134)	231,510	1,738,450	1,969,826
Other Financing Sources (Uses)				
Transfers out		(750,778)	(3,536,909)	(4,287,687)
Total Other Financing Sources (Uses)	-	(750,778)	(3,536,909)	(4,287,687)
Net Change in Fund Balances	(134)	(519,268)	(1,798,459)	(2,317,861)
Fund balance, July 1, 2015	68,637	1,035,698	2,516,596	3,620,931
Fund balance, June 30, 2016	\$ 68,503	\$ 516,430	\$ 718,137	\$ 1,303,070

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2016

	<u>Panther Academy</u>	<u>Helmwood Heights Elementary</u>	<u>Morningside Elementary</u>	<u>T.K. Stone Middle School</u>	<u>Elizabethtown High School</u>	<u>Total Agency Fund</u>
Assets						
Cash and cash equivalents	\$ 2,134	\$ 15,783	\$ 28,527	\$ 34,507	\$ 199,270	\$ 280,221
Receivables			-	-		-
Total Assets	<u>\$ 2,134</u>	<u>\$ 15,783</u>	<u>\$ 28,527</u>	<u>\$ 34,507</u>	<u>\$ 199,270</u>	<u>\$ 280,221</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 432	\$ 2,682	\$ 680	\$ 3,794
Due to student groups	2,134	15,783	28,095	31,825	198,590	276,427
Total Liabilities	<u>\$ 2,134</u>	<u>\$ 15,783</u>	<u>\$ 28,527</u>	<u>\$ 34,507</u>	<u>\$ 199,270</u>	<u>\$ 280,221</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

SCHOOL	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES June 30, 2016	ACCOUNTS PAYABLE June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Elizabethtown High	\$ 203,450	\$ 502,312	\$ 506,492	\$ 199,270	\$ -	\$ 680	\$ 198,590
Helmwood Heights Elementary	22,073	46,520	52,810	15,783	-	-	15,783
Morningside Elementary	36,287	23,043	30,803	28,527	-	432	28,095
Panther Academy	1,089	8,488	7,443	2,134	-	-	2,134
T.K. Stone Middle	48,498	97,191	111,182	34,507	-	2,682	31,825
	<u>\$ 311,397</u>	<u>\$ 677,554</u>	<u>\$ 708,730</u>	<u>\$ 280,221</u>	<u>\$ -</u>	<u>\$ 3,794</u>	<u>\$ 276,427</u>

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL
YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES June 30, 2016	ACCOUNTS PAYABLE June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Academic Team	\$ -	\$ 497	\$ 369	\$ 128	\$ -	\$ -	\$ 128
Adult Vending	205	1,135	1,137	203	-	-	203
Agendas	-	5	-	5	-	-	5
Angels in the Outfield	3,406	14,192	14,847	2,751	-	-	2,751
APEX	-	300	-	300	-	-	300
AP Social Studies	78	580	605	53	-	-	53
Archery	399	3,437	3,831	5	-	-	5
Art Club	1	619	163	457	-	-	457
Athletic Concessions	15,352	10,132	19,988	5,496	-	-	5,496
Athletic Fees	17,502	44,219	43,642	18,079	-	-	18,079
Athletic Gate	53,920	50,730	49,249	55,401	-	-	55,401
Athletics	173	3,516	3,686	3	-	-	3
Band	7,167	3,617	5,958	4,826	-	-	4,826
Baseball	1,792	5,598	7,132	258	-	-	258
Baseball Camp	1,457	2,300	58	3,699	-	-	3,699
Baseball Regional	1,883	100	-	1,983	-	-	1,983
Belle	7,199	7,480	9,888	4,791	-	-	4,791
Beta Club	2,738	6,582	7,348	1,972	-	-	1,972
Beta Club Service Proj	44	1,120	1,164	-	-	-	-
Beta-Service Proj #2	-	-	-	-	-	-	-
Bowling	934	4,838	4,667	1,105	-	-	1,105
Boy's Basketball	3,217	17,645	19,958	904	-	-	904
Boy's Basketball Camp	5,933	3,035	772	8,196	-	-	8,196
Boy's Basketball District	-	-	-	-	-	-	-
Boy's Soccer	335	7,500	6,182	1,653	-	-	1,653
Boy's Soccer Camp	319	4,540	4,859	-	-	-	-
Boys Soccer Service Proj	-	-	-	-	-	-	-
Boys Soccer Tournament	2	-	-	2	-	-	2
Broadcasting	-	-	-	-	-	-	-
Building Rental	2,150	7,598	9,748	-	-	-	-
Business Education	211	5,604	2,091	3,724	-	-	3,724
Cheerleader Club	19	-	19	-	-	-	-
Cheerleading	1,954	3,538	4,479	1,013	-	-	1,013
Cheerleading Clinic	2,342	-	-	2,342	-	-	2,342
Chorus	4,540	3,852	5,275	3,117	-	-	3,117
Class of 1960 Scholarship	394	60	-	454	-	-	454
Class of 2005 Scholarship	1,000	-	-	1,000	-	-	1,000
Community Donations	-	-	-	-	-	-	-
Cross Country	344	2,333	1,359	1,318	-	-	1,318
Dow Corning	64	-	64	-	-	-	-
Drama	93	-	-	93	-	-	93
Earth Club	-	659	261	398	-	-	398
Engineering	66	-	-	66	-	-	66
English	3,994	2,073	4,706	1,361	-	-	1,361
English-Poetry	-	500	-	500	-	-	500
FBLA	-	-	-	-	-	-	-
FCA	541	66	167	440	-	-	440
Fishing	258	3,472	3,612	118	-	-	118
Football	103	23,715	23,202	616	-	-	616
Football-District Tourna	-	15,115	14,365	750	-	-	750
Freshman Class	58	-	19	39	-	-	39
Fund for the Arts	52	-	-	52	-	-	52
Gifted and Talented	414	954	863	505	-	-	505
Girl's Basketball	3,553	9,599	10,650	2,502	-	-	2,502
Girl's Basketball Camp	1,021	3,960	4,919	62	-	-	62
Girl's Basketball Dist	651	-	-	651	-	-	651
Girl's Soccer	1,200	13,229	4,778	9,651	-	-	9,651
Girl's Soccer Camp	4,615	-	2,264	2,351	-	-	2,351
Girl's Soccer District	1,175	100	1,275	-	-	-	-
Girls Soccer Regional	3,061	6,732	9,793	-	-	-	-
Girls Soccer State	-	-	-	-	-	-	-
Girls Soccer-Ser Project	-	-	-	-	-	-	-
Golf	2	1,829	1,831	-	-	-	-
Green Dot	18	-	-	18	-	-	18

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL - CONCLUDED
YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES June 30, 2016	ACCOUNTS PAYABLE June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Guidance	6	16,306	14,736	1,576	-	-	1,576
Heartland League	-	150	150	-	-	-	-
Interest	4,400	2,352	5,087	1,665	-	-	1,665
Junior Class	197	-	-	197	-	-	197
KYA/KUNA	1,997	29,219	28,116	3,100	-	-	3,100
Lacrosse	-	2,459	607	1,852	-	-	1,852
Library	1	230	-	231	-	-	231
Lock Fund	32	25	57	-	-	-	-
Mathematica	663	1,200	-	1,863	-	-	1,863
Mathematics	606	1,278	1,071	813	-	-	813
Muslim Student Asso	-	507	421	86	-	-	86
Parking	165	485	650	-	-	-	-
Pep Club	818	2,845	3,556	107	-	-	107
Physical Education	-	515	-	515	-	-	515
Pictures	1,722	1,834	3,468	88	-	-	88
PLTW Consumables	-	814	491	323	-	-	323
Project Graduation	2,689	8,068	8,100	2,657	-	-	2,657
Prom	7,325	9,560	8,606	8,279	-	-	8,279
Rewards Program	85	3,435	1,566	1,954	-	-	1,954
SADD	166	250	-	416	-	-	416
SADD - Grant	425	-	-	425	-	-	425
SADD - Service Project	16	-	-	16	-	-	16
Science	-	4,212	4,212	-	-	-	-
Senior Class	4,484	610	5,039	55	-	-	55
Senior Trip	-	41,896	41,459	437	-	-	437
Service Club	-	450	43	407	-	347	60
Social Committee	-	810	408	402	-	-	402
Social Committee (Angel)	26	-	-	26	-	-	26
Social Studies	78	941	444	575	-	-	575
Softball	1,809	5,000	5,635	1,174	-	-	1,174
Softball Tournament	-	-	-	-	-	-	-
Sophomore Class	395	204	200	399	-	-	399
Spanish Club	725	510	649	586	-	-	586
Spanish Honors	74	-	-	74	-	-	74
Special Ed - Jr Achieve	306	12	-	318	-	-	318
Special Education	1,561	671	137	2,095	-	-	2,095
Speech	103	3,913	2,314	1,702	-	-	1,702
STLP	33	-	-	33	-	-	33
Student Assistance Fund	284	-	50	234	-	-	234
Student Council	1,261	6,723	5,071	2,913	-	-	2,913
Student Vending	796	386	642	540	-	-	540
Sweep	33	1,362	1,395	-	-	115	(115)
Swimming	788	1,544	2,049	283	-	-	283
Swimming Regional	-	5,185	3,094	2,091	-	-	2,091
Target	65	299	-	364	-	-	364
Taylor Family Memorial	2,115	-	-	2,115	-	-	2,115
Technical Education	-	5,000	5,000	-	-	-	-
Tennis	597	2,224	2,394	427	-	218	209
Tennis Camp	1,608	1,165	1,334	1,439	-	-	1,439
Tennis Regional	-	180	-	180	-	-	180
Textbook Rental	-	-	-	-	-	-	-
Textbooks	110	13,443	13,553	-	-	-	-
Track	77	5,187	4,063	1,201	-	-	1,201
Track Regional	-	2,760	1,437	1,323	-	-	1,323
United Way	-	492	492	-	-	-	-
Volleyball	660	6,614	5,952	1,322	-	-	1,322
Volleyball-Camp	-	-	-	-	-	-	-
Volleyball-District	-	-	-	-	-	-	-
Winterguard	2,623	6,187	7,189	1,621	-	-	1,621
Yearbook	3,577	4,095	4,312	3,360	-	-	3,360
Subtotal	203,450	502,312	506,492	199,270	-	680	198,590
Interfund Transfers							
TOTAL	\$ 203,450	\$ 502,312	\$ 506,492	\$ 199,270	\$ -	\$ 680	\$ 198,590

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-15	\$ 138,225
		7750002-16	485,429
School Breakfast Program	10.553	7760005-15	61,533
		7760005-16	212,149
Summer Food Service Program for Children	10.559	7740023-16	13,437
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	86,475
TOTAL CHILD NUTRITION CLUSTER			997,248
Passed Through State Department of Education			
State Administrative Expenses for Child Nutrition	10.560	7700001-15	3,056
TOTAL U.S. DEPT. OF AGRICULTURE			1,000,304
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3374	2,833
		3374C	2
		3374P	1,565
		337A	48,183
		337AC	4,799
		337AP	2,233
		337B	394,224
		337BC	40,810
		337BP	2,019
			496,668
Special Education - Preschool Grants	84.173	3434	3
		343A	4,998
		343AP	338
		343B	12,299
			17,638
TOTAL SPECIAL EDUCATION CLUSTER			514,306
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	GF	10,850
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3104	3,278
		310A	111,258
		310AM	2,627
		310B	444,392
		310BM	2,515
			564,070
Vocational Education - Basic Grants to States	84.048	348AA	630
		348B	24,859
			25,489
Tech Prep	84.243	363B	23,348
English Language Acquisition Grants	84.365	345A	3,695
		345B	4,442
			8,137
Improving Teacher Quality - State Grants	84.367	401A	19,533
		401B	49,583
			69,116
Race to the Top	84.413A	4522	2,320
Passed Through University of Kentucky			
Investing in Innovation (I3) Fund	491A	84.411	798
TOTAL U.S. DEPARTMENT OF EDUCATION			1,218,434
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,218,738

The accompanying notes are an integral part of this schedule.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elizabethtown Independent School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Elizabethtown Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Elizabethtown Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ yes ☐ no

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
DEPARTMENT OF AGRICULTURE	
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish
Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2016-001 – Child Nutrition Cluster – CFDA No. 10.553 (School Breakfast Program), 10.555 (National School Lunch Program) and 10.559 (Summer Food Service Program for Children) – Year Ended June 30, 2016 – U. S. Department of Agriculture, Passed Through State Department of Education

Significant Deficiency – Procurement

Criteria: Part 200 of Title 2 of the U.S. Code of Federal Regulations titled, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, lays out the basic procurement requirements that entities must comply with for the procurement of food, and other goods and services, when using federal funds.

Condition The District's policies and procedures were in accordance with state requirements but did not include the required federal requirements regarding procurement.

Questioned Costs: None

Context: This was noted during a review of purchasing procedures.

Effect The District could have purchased from vendors who did not meet federal procurement requirements.

Cause: The District was not aware of the additional requirements.

Recommendation: The District should adopt revised procurement procedures.

Views of Responsible Officials and Planned Corrective Actions: The District implemented revised procurement procedures effective July 1, 2016.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2016

There were no prior audit findings.

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

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

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

Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

We have audited, in accordance with the 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 the requirements prescribed by the Kentucky State Committee for School District Audits the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elizabethtown Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Elizabethtown Independent School District's basic financial statements, and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elizabethtown Independent School District's internal control over financial reporting (internal control) to determine the audit 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 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.

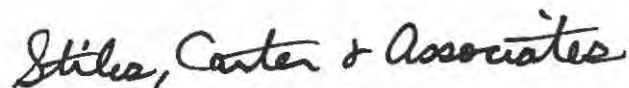
Compliance and Other Matters

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

We noted certain matters that we reported to management of Elizabethtown Independent School District in a separate letter dated September 29, 2016.

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 District'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.



Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2016

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Elizabethtown Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elizabethtown Independent School District's major federal programs for the year ended June 30, 2016. Elizabethtown Independent School District's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elizabethtown Independent School District's 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance 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 Elizabethtown Independent School District's 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 Elizabethtown Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Elizabethtown Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Elizabethtown Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elizabethtown Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Elizabethtown Independent School District's 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Elizabethtown Independent School District's Response to Findings

Elizabethtown Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Elizabethtown Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2016

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

Members of the Board of Education of
Elizabethtown Independent School District
Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Elizabethtown Independent School District for the year ended June 30, 2016, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 29, 2016, contains our report on the District's internal control. This letter does not affect our report dated September 29, 2016, on the financial statements of the Elizabethtown Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Elizabethtown Independent Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2016

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2016

PRIOR YEAR UNCORRECTED COMMENTS

PANTHER ACADEMY

UNALLOWABLE PURCHASE

We noted that check #210, dated 10/05/2015 was written to Kerr Office Supplies in the amount of \$327.60 from the Office Expense Fund was for the purchase of laminating plastic. Redbook disallows the purchase of operational items from student activity funds.

We noted that check #234 was written to an employee in the amount of \$40.25 from the McDonald's-Fundraising Fund was for the reimbursement of payment for ink for a classroom printer. Redbook disallows the purchase of operational items from student activity funds.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

MORNINGSIDE ELEMENTARY SCHOOL

FUNDRAISER APPROVAL FORM

Upon review of the documentation for the Peel-to-Save fundraiser, we noted that the Fundraiser Approval Form (F-SA-2A) was not signed by the school's principal. Redbook requires that all fundraisers be approved by the superintendent and the school's principal before the fundraiser is held.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

T.K. STONE MIDDLE SCHOOL

INVENTORY CONTROL

We noted the inventory control worksheet for yearbooks had two months (April and May) on the same worksheet and had ending inventory at the end of the month. An inventory control worksheet for June was not completed. Redbook requires inventory control worksheets to be filled out every month there is inventory. Redbook also requires each month's inventory to be documented on a separate inventory control worksheet.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CURRENT YEAR COMMENTS

PANTHER ACADEMY

SEGREGATION OF DUTIES

Upon review of the Internal Control Questionnaire completed by the school's CFT, we noted that the CFT is performing the following duties: entering invoices into the accounting system, printing the checks and mailing the checks. Redbook requires that a different individual mail the checks.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER FORMS

We noted that check #210, dated 10/05/2015 was written to Kerr Office Supplies in the amount of \$327.60 from the Office Expense Fund had an attached invoice dated 06/08/2015 and a Purchase Order Form dated 09/30/2015. Redbook requires that Purchase Order Forms be submitted and approved before the purchase is made.

We noted that check #232, dated 03/31/2016 was written to Duke Sporting Goods in the amount of \$15.00 from the Student FT Shirts Fund had an attached invoice dated 11/12/2015 and a Purchase Order Form dated 02/08/2016. Redbook requires that Purchase Order Forms be submitted and approved before the purchase is made.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

HELMWOOD HEIGHTS ELEMENTARY SCHOOL

UNTIMELY DEPOSITS

We noted the deposit made on 03/18/2016 for \$3,420.25 included several receipts (for over \$100 each) that were collected on 03/09/2016. The funds were not remitted to the CFT until 03/18/2016. Redbook requires receipts over \$100 to be deposited daily and for funds collected to be turned into the CFT that same day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

DISBURSEMENTS

We noted there was no invoice for the purchase from Kona Ice on 05/24/2016. Redbook requires invoices to be kept on file for all disbursements.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

T.K. STONE MIDDLE SCHOOL

DEPOSIT SLIPS

We noted that the deposit made on 09/11/2015 in the amount of \$4,105.00 did not have the receipt numbers listed on the deposit slip.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

ELIZABETHTOWN HIGH SCHOOL

PURCHASE ORDER FORMS

We noted that check #15936, dated 07/20/2015 was written to an employee in the amount of \$600.00 from various athletic funds for reimbursement of CPR certification purchases had attached invoices dated 07/16/2015 and corresponding Purchase Order Forms dated 07/20/2015 and 07/17/2015. Redbook requires that Purchase Order Forms be submitted and approved before the purchase is made.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CANCELLATION OF INVOICES

We noted that check #15943 and #15988, both written to Wal-Mart for student incentives and awards in the amounts of \$560.17 and \$863.80 had attached invoices that were not cancelled upon payment. Redbook requires that invoices be canceled to avoid duplicate payment.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

AWARD ACCEPTANCE

We noted that check #15988 and #16957 both written to Wal-Mart for awards and prizes in the amounts of \$863.80 and \$1,533.89 did not include signatures of the students that received said awards and prizes.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

UNTIMELY DEPOSIT

We noted that the deposit made on 10/16/2015, in the amount of \$2,885.00, included three Multiple Receipt Forms where the date remitted was completed by the school's CFT, not the person remitting the monies. Therefore we were unable to determine if the monies were deposited timely.