

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2018

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
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, 2018, 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 of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2018, 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, 2018, the District adopted Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement 85, *Omnibus 2017*, and Statement 86, *Certain Debt Extinguishment Issues*. 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 57 to 58, schedule of proportionate share of the net pension and OPEB liabilities on pages 59 to 63 and schedule of contributions on pages 64 to 68 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 October 4, 2018, 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.

A handwritten signature in black ink that reads "Stiles, Carter & Associates, CPAs, PSC". The signature is written in a cursive, flowing style.

Stiles, Carter & Associates, CPAs, PSC  
Elizabethtown, Kentucky  
October 4, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$11.9 million. Ending cash and investments were \$12.1 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 was stable. Fund balance decreased by \$88 thousand.
- The General Fund had \$22.6 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 \$22.8 million in General Fund expenditures.

### 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 \$7.1 million as of June 30, 2018.

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, 2018 and 2017**  
(Table 1)

Description	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and						
Other Assets	\$ 11,968,004	\$ 11,544,616	\$ 556,506	\$ 566,701	\$ 12,524,510	\$ 12,111,317
Capital Assets	34,365,861	35,799,685	169,329	214,605	34,535,190	36,014,290
Total Assets	46,333,865	47,344,301	725,835	781,306	47,059,700	48,125,607
Deferred Outflows	2,890,746	1,234,778	486,692	218,063	3,377,438	1,452,841
Long-term Debt	38,882,745	30,448,249	1,542,569	985,070	40,425,314	31,433,319
Other Liabilities	1,945,460	1,929,995	6,221	16,061	1,951,681	1,946,056
Total Liabilities	40,828,205	32,378,244	1,548,790	1,001,131	42,376,995	33,379,375
Deferred Inflows	774,416	53,294	143,309	10,449	917,725	63,743
<b>Net Position</b>						
Net investment in						
capital assets	10,182,026	10,693,556	169,329	214,605	10,351,355	10,908,161
Restricted	5,023,533	4,505,750	-	-	5,023,533	4,505,750
Unrestricted	(7,583,569)	948,235	(648,901)	(226,816)	(8,232,470)	721,419
<b>Total Net Position</b>	<b>\$ 7,621,990</b>	<b>\$ 16,147,541</b>	<b>\$ (479,572)</b>	<b>\$ (12,211)</b>	<b>\$ 7,142,418</b>	<b>\$ 16,135,330</b>

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

The District invested \$667 thousand in capital assets and paid principal of \$975 thousand on its bonds.

## Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2018, net of Interfund transfers, were \$33.2 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6.2 million more than budget or approximately 37%. This variance was related to on-behalf payments that were not budgeted.
- The total cost of all programs and services including debt service was \$32.1 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.

# FINAL DRAFT

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2018 and 2017.

Description	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 242,837	\$ 307,262	\$ 402,122	\$ 481,723	\$ 644,959	\$ 788,985
Operating grants and contributions	12,055,899	13,329,088	1,355,105	1,175,124	13,411,004	14,504,212
Capital grants and contributions	1,781,537	1,865,213	-	-	1,781,537	1,865,213
<b>General revenues:</b>						
Property taxes	5,496,045	5,104,800	-	-	5,496,045	5,104,800
Motor vehicle taxes	322,382	299,289	-	-	322,382	299,289
Utility taxes	797,130	1,012,542	-	-	797,130	1,012,542
Revenue in lieu of taxes	108,233	108,152	-	-	108,233	108,152
Gain on disposal of capital assets	1,710	7,943	-	-	1,710	7,943
Investment earnings	311,342	203,499	9,384	5,789	320,726	209,288
State and formula grants	10,022,243	9,872,542	-	-	10,022,243	9,872,542
Miscellaneous	319,311	10,745	-	-	319,311	10,745
<b>Total revenues</b>	<b>31,458,669</b>	<b>32,121,075</b>	<b>1,766,611</b>	<b>1,662,636</b>	<b>33,225,280</b>	<b>33,783,711</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	22,146,495	22,707,943	-	-	22,146,495	22,707,943
Student support	1,113,305	956,555	-	-	1,113,305	956,555
Instructional staff support	1,118,422	995,000	-	-	1,118,422	995,000
District administrative support	464,864	640,414	-	-	464,864	640,414
School administrative support	1,587,278	1,363,750	-	-	1,587,278	1,363,750
Business support	696,372	668,000	-	-	696,372	668,000
Plant operation and maintenance	3,297,568	2,459,538	-	-	3,297,568	2,459,538
Student transportation	756,621	665,574	-	-	756,621	665,574
Community service activities	161,825	156,046	-	-	161,825	156,046
Other	-	1,497	-	-	-	1,497
Interest costs	941,743	963,972	-	-	941,743	963,972
<b>Business-type Activities:</b>						
Food service	-	-	1,674,635	1,498,962	1,674,635	1,498,962
Daycare	-	-	201,348	118,947	201,348	118,947
<b>Total expenses</b>	<b>32,284,493</b>	<b>31,578,289</b>	<b>1,875,983</b>	<b>1,617,909</b>	<b>34,160,476</b>	<b>33,196,198</b>
Excess before transfers	(825,824)	542,786	(109,372)	44,727	(935,196)	587,513
Transfers	69,761	72,853	(69,761)	(72,853)	-	-
Increase (decrease) in net position	\$ (756,063)	\$ 615,639	\$ (179,133)	\$ (28,126)	\$ (935,196)	\$ 587,513

## Governmental Activities

Instruction comprises 68% of governmental program expenses. Support services expenses make up 28% of government expenses. The remaining expense for community services and interest 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**

Column1	Total	Total2	Net	Net3
	2018	2017	2018	2017
Instruction	\$ 22,146,495	\$ 22,707,943	\$ 11,542,657	\$ 10,360,373
Support Services	9,034,430	7,748,831	7,488,400	6,567,911
Community Services & Other	161,825	157,543	2,957	(317)
Facilities acquisition and construction	-	-	(1,177,065)	(1,202,478)
Interest costs	941,743	963,972	347,271	351,237
<b>Total expenses</b>	<b>\$ 32,284,493</b>	<b>\$ 31,578,289</b>	<b>\$ 18,204,220</b>	<b>\$ 16,076,726</b>

## Business-Type Activities

The business-type activities include the food service and daycare operations. These programs had total revenues of \$1,766,611 and expenses of \$1,875,983 for fiscal year 2018. Of the revenues, \$402,22 was charges for services, \$1,355,105 was from State and Federal grants and \$9,364 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 \$29.8 million and expenditures and other financing uses of \$29.4 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 \$16.4 million, with actual amounts of \$22.6 million. Budgeted expenditures of \$21.9 million compare with actual expenditures of \$22.8 million. The most significant fluctuation is for unbudgeted on-behalf payments.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2018 the School District had \$34.5 million invested in land, buildings, vehicles, equipment and construction in progress and \$34.3 million in governmental activities. Table 4 shows fiscal year 2018 and 2017 balances.

**(Table 4)**  
**Capital Assets at June 30, 2018 and 2017**  
**(Net of Depreciation)**

Description	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 323,330	\$ 333,435	\$ -	\$ -	\$ 323,330	\$ 333,435
Buildings and improvements	33,565,868	34,732,737	6,942	11,842	33,572,810	34,744,579
Technology	105,522	255,942	-	-	105,522	255,942
Vehicles	130,726	36,917	-	-	130,726	36,917
General equipment	240,415	255,375	162,387	202,763	402,802	458,138
<b>Total</b>	<b>34,365,861</b>	<b>35,614,406</b>	<b>169,329</b>	<b>214,605</b>	<b>34,535,190</b>	<b>35,829,011</b>
Construction in progress	-	185,279	-	-	-	185,279
<b>Total</b>	<b>\$ 34,365,861</b>	<b>\$ 35,799,685</b>	<b>\$ 169,329</b>	<b>\$ 214,605</b>	<b>\$ 34,535,190</b>	<b>\$ 36,014,290</b>

Table 5 shows changes in capital assets for the years ended June 30, 2018 and 2017.

Description	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 35,799,685	\$ 36,094,301	\$ 214,605	\$ 259,256	\$ 36,014,290	\$ 36,353,557
Additions	667,408	10,133,165	-	-	667,408	10,133,165
Retirements	-	(8,534,107)	(1,960)	-	(1,960)	(8,534,107)
Depreciation	(2,101,232)	(1,893,674)	(43,316)	(44,651)	(2,144,548)	(1,938,325)
<b>Ending balance</b>	<b>\$ 34,365,861</b>	<b>\$ 35,799,685</b>	<b>\$ 169,329</b>	<b>\$ 214,605</b>	<b>\$ 34,535,190</b>	<b>\$ 36,014,290</b>

### Debt

At June 30, 2018, the School District had \$24.4 million in bonds outstanding, of this amount \$1.3 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$1 million 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 slight 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 in full through state or federal programs. In addition, retirement costs of TRS 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 a slight decrease in student enrollment in 17-18, the 18-19 budget will show a slight 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 2018-19 with an 17% 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.

The district's primary concern for the future are projected costs of employer pension contributions. For the 18-19 budget year employer contributions paid to CERS are projected to increase approximately \$53,000 on Classified Salaries with and increase employer contributions projected each year in the near future.

## **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.

FINAL DRAFT

**BASIC FINANCIAL STATEMENTS**



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash, cash equivalents and investments	\$ 11,560,713	\$ 501,574	\$ 12,062,287
Interfund balances	15,170	(15,170)	-
Inventory		32,728	32,728
Receivables:			
Taxes-current	25,084		25,084
Taxes-delinquent	30,399		30,399
Other receivables	55,012		55,012
Intergovernmental-State	5,815		5,815
Intergovernmental-Indirect Federal	275,811	37,374	313,185
<b>Total Current Assets</b>	<b>11,968,004</b>	<b>556,506</b>	<b>12,524,510</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	267,795		267,795
Depreciable capital assets, net of accumulated depreciation	34,098,066	169,329	34,267,395
<b>Total Noncurrent Assets</b>	<b>34,365,861</b>	<b>169,329</b>	<b>34,535,190</b>
<b>Total Assets</b>	<b>46,333,865</b>	<b>725,835</b>	<b>47,059,700</b>
<b><u>Deferred Outflows of Resources</u></b>			
CERS Pension	1,915,879	377,452	2,293,331
CERS OPEB	554,480	109,240	663,720
TRS OPEB MIF	332,000		332,000
Deferred amount on debt refundings	88,387		88,387
<b>Total Deferred Outflows of Resources</b>	<b>2,890,746</b>	<b>486,692</b>	<b>3,377,438</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	209,185	6,221	215,406
Accrued payroll and related expenses	70,601		70,601
Unearned revenue	171,907		171,907
Bond obligations	1,020,000		1,020,000
Compensated absences	356,066		356,066
Interest payable	117,701		117,701
<b>Total Current Liabilities</b>	<b>1,945,460</b>	<b>6,221</b>	<b>1,951,681</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	23,252,222		23,252,222
Net pension liability - CERS	5,828,113	1,148,211	6,976,324
Net OPEB liability - CERS	2,001,689	394,358	2,396,047
Net OPEB liability - TRS MIF	6,699,000		6,699,000
Compensated absences	1,101,721		1,101,721
<b>Total Noncurrent Liabilities</b>	<b>38,882,745</b>	<b>1,542,569</b>	<b>40,425,314</b>
<b>Total Liabilities</b>	<b>40,828,205</b>	<b>1,548,790</b>	<b>42,376,995</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS Pension	622,612	122,662	745,274
CERS OPEB	104,804	20,647	125,451
TRS OPEB MIF	47,000		47,000
<b>Total Deferred Inflows of Resources</b>	<b>774,416</b>	<b>143,309</b>	<b>917,725</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	10,182,026	169,329	10,351,355
Restricted	5,023,533		5,023,533
Unrestricted	(7,583,569)	(648,901)	(8,232,470)
<b>Total Net Position</b>	<b>\$ 7,621,990</b>	<b>\$ (479,572)</b>	<b>\$ 7,142,418</b>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2018

	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
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 22,146,495	\$ 242,837	\$ 10,351,001	\$ 10,000	\$ (11,542,657)	\$ -	\$ (11,542,657)
Support services:							
Student	1,113,305		276,476		(836,829)		(836,829)
Instruction staff	1,118,422		494,365		(624,057)		(624,057)
District administrative	464,864		49,600		(415,264)		(415,264)
School administrative	1,587,278		366,342		(1,220,936)		(1,220,936)
Business	696,372		107,929		(588,443)		(588,443)
Plant operation and maintenance	3,297,568		105,253		(3,192,315)		(3,192,315)
Student transportation	756,621		146,065		(610,556)		(610,556)
Community service activities	161,825		158,868		(2,957)		(2,957)
Facilities acquisition and construction				1,177,065	1,177,065		1,177,065
Interest on long-term debt	941,743			594,472	(347,271)		(347,271)
<b>Total Governmental Activities</b>	<b>32,284,493</b>	<b>242,837</b>	<b>12,055,899</b>	<b>1,781,537</b>	<b>(18,204,220)</b>	<b>-</b>	<b>(18,204,220)</b>
<b>Business-Type Activities:</b>							
Food service	1,674,635	265,104	1,340,053			(69,478)	(69,478)
Daycare	201,348	137,018	15,052			(49,278)	(49,278)
<b>Total Business-Type Activities</b>	<b>1,875,983</b>	<b>402,122</b>	<b>1,355,105</b>	<b>-</b>	<b>-</b>	<b>(118,756)</b>	<b>(118,756)</b>
<b>Total Primary Government</b>	<b>\$ 34,160,476</b>	<b>\$ 644,959</b>	<b>\$ 13,411,004</b>	<b>\$ 1,781,537</b>	<b>(18,204,220)</b>	<b>(118,756)</b>	<b>(18,322,976)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					5,496,045		5,496,045
Motor vehicle taxes					322,382		322,382
Utility taxes					797,130		797,130
Revenue in lieu of taxes					108,233		108,233
Gain on disposal of capital assets					1,710		1,710
Investment earnings					311,342	9,384	320,726
State and formula grants					10,022,243		10,022,243
Miscellaneous					319,311		319,311
Transfers					69,761	(69,761)	-
Total general revenues and transfers					17,448,157	(60,377)	17,387,780
Change in net position					(756,063)	(179,133)	(935,196)
Net position - beginning, as previously reported					16,147,541	(12,211)	16,135,330
Restatement					(7,769,488)	(288,228)	(8,057,716)
Net position - beginning, as restated					8,378,053	(300,439)	8,077,614
Net position - ending					\$ 7,621,990	\$ (479,572)	\$ 7,142,418

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

FINAL DRAFT

**FUND FINANCIAL STATEMENTS**

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### BALANCE SHEET

#### GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Revenue Fund	FSPK Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash, cash equivalents and investments	\$ 6,669,610	\$ 84,232	\$ 1,208,144	\$ 2,739,373	\$ 859,354	\$ 11,560,713
Due from other funds	15,170					15,170
Receivables:						
Taxes - current	25,084					25,084
Taxes - delinquent	30,399					30,399
Other receivables	37,634	17,378				55,012
Intergovernmental - State		5,815				5,815
Intergovernmental - Indirect Federal		275,811				275,811
<b>Total Assets</b>	<u>\$ 6,777,897</u>	<u>\$ 383,236</u>	<u>\$ 1,208,144</u>	<u>\$ 2,739,373</u>	<u>\$ 859,354</u>	<u>\$ 11,968,004</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 166,012	\$ 34,491	\$ -	\$ -	\$ 8,682	\$ 209,185
Accrued payroll and related expenses	70,601					70,601
Unearned revenue		171,907				171,907
<b>Total Liabilities</b>	236,613	206,398	-	-	8,682	451,693
<b>Fund Balances</b>						
Restricted	100,000	176,838	1,208,144	2,739,373	799,178	5,023,533
Committed	800,000				51,494	851,494
Unassigned	5,641,284					5,641,284
<b>Total Fund Balances</b>	<u>6,541,284</u>	<u>176,838</u>	<u>1,208,144</u>	<u>2,739,373</u>	<u>850,672</u>	<u>11,516,311</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,777,897</u>	<u>\$ 383,236</u>	<u>\$ 1,208,144</u>	<u>\$ 2,739,373</u>	<u>\$ 859,354</u>	<u>\$ 11,968,004</u>

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, 2018

Total fund balance per fund financial statements	\$ 11,516,311
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.	34,365,861
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.	88,387
Governmental funds do not record deferred outflows of resources for pensions and OP#B but those are reported on the statement of net position as deferred outflows of resources.	2,802,359
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(774,416)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(24,272,222)
Interest payable	(117,701)
Compensated absences	(1,457,787)
Net pension liability - CERS	(5,828,113)
Net OPEB liability - CERS	(2,001,689)
Net OPEB liability - TRS MIF	(6,699,000)
Net position for governmental activities	<u><u>\$ 7,621,990</u></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, 2018

	General Fund	Special Revenue Fund	FSPK Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 4,731,037	\$ -	\$ 765,008	\$ -	\$ -	\$ 5,496,045
Motor vehicle	288,324		34,058			322,382
Utilities	797,130					797,130
Revenue in lieu of taxes	108,233					108,233
Tuition and fees	242,837					242,837
Earnings on investments	187,001	3,016	18,777	91,717	10,831	311,342
Other local revenues	55,150	72,339			157,590	285,079
Intergovernmental - State	16,158,021	854,679	960,902	144,182	216,163	18,333,947
Intergovernmental - Indirect Federal	37,286	1,239,898				1,277,184
Intergovernmental - Direct Federal	7,385			450,290		457,675
<b>Total Revenues</b>	<b>22,612,404</b>	<b>2,169,932</b>	<b>1,778,745</b>	<b>686,189</b>	<b>384,584</b>	<b>27,631,854</b>
<b>Expenditures:</b>						
Instruction	14,851,103	1,742,952			140,752	16,734,807
Support services:						
Student	1,029,181	53,278				1,082,459
Instruction staff	872,723	229,405				1,102,128
District administrative	530,667					530,667
School administrative	1,516,774					1,516,774
Business	633,245					633,245
Plant operation and maintenance	2,613,492				7,368	2,620,860
Student transportation	782,741	7,957				790,698
Facilities acquisition and construction					534,808	534,808
Community service activities	2,018	158,868				160,886
Debt service:						
Principal				975,000		975,000
Interest				894,357		894,357
<b>Total Expenditures</b>	<b>22,831,944</b>	<b>2,192,460</b>	<b>-</b>	<b>1,869,357</b>	<b>682,928</b>	<b>27,576,689</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(219,540)</b>	<b>(22,528)</b>	<b>1,778,745</b>	<b>(1,183,168)</b>	<b>(298,344)</b>	<b>55,165</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from sale of capital assets	1,710					1,710
Insurance proceeds	312,612					312,612
Transfers in	69,761	45,394		1,648,284	119,644	1,883,083
Transfers out	(252,548)		(1,441,130)		(119,644)	(1,813,322)
<b>Total Other Financing Sources (Uses)</b>	<b>131,535</b>	<b>45,394</b>	<b>(1,441,130)</b>	<b>1,648,284</b>	<b>-</b>	<b>384,083</b>
<b>Net Change in Fund Balances</b>	<b>(88,005)</b>	<b>22,866</b>	<b>337,615</b>	<b>465,116</b>	<b>(298,344)</b>	<b>439,248</b>
<b>Fund Balance, July 1, 2017</b>	<b>6,629,289</b>	<b>153,972</b>	<b>870,529</b>	<b>2,274,257</b>	<b>1,149,016</b>	<b>11,077,063</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 6,541,284</b>	<b>\$ 176,838</b>	<b>\$ 1,208,144</b>	<b>\$ 2,739,373</b>	<b>\$ 850,672</b>	<b>\$ 11,516,311</b>

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, 2018

Net change in total fund balances per fund financial statements	\$ 439,248
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 depreciation expense exceeds capital outlays for the year.	(1,433,824)
Bond 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.	975,000
The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	(765,891)
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>29,404</u>
Change in net position of governmental activities	<u>\$ (756,063)</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, 2018

	Food Service Fund	Daycare Fund	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 457,011	\$ 44,563	\$ 501,574
Intergovernmental - Indirect Federal	37,374		37,374
Inventory	32,728		32,728
<b>Total Current Assets</b>	<b>527,113</b>	<b>44,563</b>	<b>571,676</b>
<b><u>Noncurrent Assets</u></b>			
Depreciable capital assets, net of accumulated depreciation	169,329		169,329
<b>Total Noncurrent Assets</b>	<b>169,329</b>	<b>-</b>	<b>169,329</b>
<b>Total Assets</b>	<b>696,442</b>	<b>44,563</b>	<b>741,005</b>
<b>Deferred Outflows of Resources</b>			
CERS Pension	313,723	63,729	377,452
CERS OPEB	90,796	18,444	109,240
<b>Total Deferred Outflows of Resources</b>	<b>404,519</b>	<b>82,173</b>	<b>486,692</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	5,920	301	6,221
Due to other funds	15,170		15,170
<b>Total Current Liabilities</b>	<b>21,090</b>	<b>301</b>	<b>21,391</b>
<b><u>Noncurrent Liabilities</u></b>			
Net pension liability - CERS	954,347	193,864	1,148,211
Net OPEB liability - CERS	327,775	66,583	394,358
<b>Total Noncurrent Liabilities</b>	<b>1,282,122</b>	<b>260,447</b>	<b>1,542,569</b>
<b>Total Liabilities</b>	<b>1,303,212</b>	<b>260,748</b>	<b>1,563,960</b>
<b>Deferred Inflows of Resources</b>			
CERS Pension	101,952	20,710	122,662
CERS OPEB	17,161	3,486	20,647
<b>Total Deferred Inflows of Resources</b>	<b>119,113</b>	<b>24,196</b>	<b>143,309</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	169,329		169,329
Unrestricted	(490,693)	(158,208)	(648,901)
<b>Total Net Position</b>	<b>\$ (321,364)</b>	<b>\$ (158,208)</b>	<b>\$ (479,572)</b>

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, 2018

	Food Service Fund	Daycare Fund	Total
<b>Operating Revenues:</b>			
Lunchroom sales	\$ 265,104	\$ -	\$ 265,104
Tuition and fees		137,018	137,018
<b>Total Operating Revenues</b>	265,104	137,018	402,122
<b>Operating Expenses:</b>			
Salaries and wages	738,136	197,345	935,481
Materials and supplies	840,336	3,279	843,615
Depreciation	43,316		43,316
Other operating expenses	50,887	724	51,611
<b>Total Operating Expenses</b>	1,672,675	201,348	1,874,023
Operating income (loss)	(1,407,571)	(64,330)	(1,471,901)
<b>Non-Operating Revenues (Expenses):</b>			
Federal grants	1,147,973		1,147,973
Donated commodities	94,322		94,322
State on-behalf payments	86,162	15,052	101,214
State grants	11,596		11,596
Loss on disposal of capital assets	(1,960)	-	(1,960)
Interest income	9,384		9,384
<b>Total Non-Operating Revenues (Expenses) before Transfers</b>	1,347,477	15,052	1,362,529
Transfers out	(69,761)		(69,761)
Change in net position	(129,855)	(49,278)	(179,133)
<b>Net Position, July 1, 2017, as previously reported</b>	54,922	(67,133)	(12,211)
<b>Restatement</b>	(246,431)	(41,797)	(288,228)
<b>Net Position, July 1, 2017, as restated</b>	(191,509)	(108,930)	(300,439)
<b>Net Position June 30, 2018</b>	<u>\$ (321,364)</u>	<u>\$ (158,208)</u>	<u>\$ (479,572)</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, 2018

	Food Service Fund	Daycare Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 265,104	\$ -	\$ 265,104
Tuition and fees		137,018	137,018
Cash paid to/for:			
Employees	(566,409)	(134,358)	(700,767)
Supplies	(751,892)	(3,591)	(755,483)
Other activities	(50,887)	(724)	(51,611)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,104,084)</b>	<b>(1,655)</b>	<b>(1,105,739)</b>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	1,141,692		1,141,692
State grants	11,596		11,596
Transfers out	(69,761)		(69,761)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>1,083,527</b>	<b>-</b>	<b>1,083,527</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	-	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	9,384		9,384
<b>Net Cash Provided by Investing Activities</b>	<b>9,384</b>	<b>-</b>	<b>9,384</b>
Net increase (decrease) in cash and cash equivalents	(11,173)	(1,655)	(12,828)
<b>Balances, beginning of year</b>	<b>468,184</b>	<b>46,218</b>	<b>514,402</b>
<b>Balances, end of year</b>	<b>\$ 457,011</b>	<b>\$ 44,563</b>	<b>\$ 501,574</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,407,571)	\$ (64,330)	\$ (1,471,901)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	43,316		43,316
State on-behalf payments	86,162	15,052	101,214
Donated commodities	94,322		94,322
GASB 68 pension expense	77,856	38,107	115,963
GASB 75 OPEB expense	7,709	9,828	17,537
Change in assets and liabilities:			
Inventory	7,087		7,087
Accounts payable	(9,525)	(312)	(9,837)
Due to other funds	(3,440)		(3,440)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (1,104,084)</b>	<b>\$ (1,655)</b>	<b>\$ (1,105,739)</b>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 94,322	\$ -	\$ 94,322
State on-behalf payments	\$ 86,162	\$ 15,052	\$ 101,214
CERS pension	\$ 77,856	\$ 38,107	\$ 115,963
CERS OPEB	\$ 7,709	\$ 9,828	\$ 17,537

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, 2018

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 185,236	\$ 310,660
Receivables	5,853	731
<b>Total Assets</b>	<u>191,089</u>	<u>311,391</u>
<b>Liabilities</b>		
Accounts payable		4,782
Due to student groups		306,609
<b>Total Liabilities</b>	<u>-</u>	<u>311,391</u>
<b>Net Position Held in Trust</b>	<u>\$ 191,089</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, 2018

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions	\$ 30,456
Net interest and investment gains (losses)	<u>3,810</u>
	34,266
<b>Deductions</b>	
Scholarships paid	<u>(30,500)</u>
Change in net position	3,766
<b>Net Position, July 1, 2017</b>	<u>187,323</u>
<b>Net Position, June 30, 2018</b>	<u><u>\$ 191,089</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, 2018

#### 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 PREPARATION

###### 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, 2018

#### 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, 2018

#### 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. This is a major fund.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (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, 2018

#### 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, 2018

#### 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, 2018

#### 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 capital 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, 2018

#### 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 and shown as an offset of bonds payable 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 and shown as deferred outflows of resources.

##### 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. PENSION AND OPEB PLANS

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### M. NET POSITION

Net Position – Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

##### N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

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. The statement was adopted during the fiscal year and required a restatement of the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

###### Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018. 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, 2018

#### 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, 2018, to finance operations were \$.809 per \$100 valuation for real property, \$.809 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, 2018, \$10,812,395 of the District's bank balance of \$11,062,395 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, 2018, the District had the following investments and maturities:

Description	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	\$ 1,499	Not Rated	\$ 1,499
Federal Mortgage Corporation			
Discount Note	2,655,291	AAA	2,655,291
Total Investments	\$ 2,656,790		\$ 2,656,790

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. Not rates indicates the investment is not rated. 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, 2018

#### 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	\$ 45,394
General	Debt Service	Debt Service	207,154
Nonmajor Governmental	Nonmajor Governmental	Internal	119,644
FSPK	Debt Service	Debt Service	1,441,130
Food Service	General	Indirect Costs	69,761

##### Government-Wide Financial Statements

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 69,761

The Food Service fund also owed the General Fund \$15,170 for expenses and indirect costs at year-end.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

#### NOTE 5 – CAPITAL ASSETS

Governmental Activities	July 1, 2017	Additions	Deductions	June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 267,795	\$ -	\$ -	\$ 267,795
Construction in progress	185,279	535,147	(720,426)	-
Total Capital Assets Not Being Depreciated	453,074	535,147	(720,426)	267,795
Capital Assets Being Depreciated:				
Land improvements	568,233			568,233
Buildings and improvements	52,774,745	720,426		53,495,171
Technology equipment	1,875,827			1,875,827
Vehicles	1,150,014	102,495		1,252,509
General equipment	1,041,514	29,766		1,071,280
Total Capital Assets Being Depreciated at Historical Cost	57,410,333	852,687	-	58,263,020
Accumulated depreciation:				
Land improvements	502,593	10,105		512,698
Buildings and improvements	18,042,008	1,887,295		19,929,303
Technology equipment	1,619,885	150,420		1,770,305
Vehicles	1,113,097	8,686		1,121,783
General equipment	786,139	44,726		830,865
Total accumulated depreciation	22,063,722	2,101,232	-	24,164,954
Total Other Capital Assets, net	35,346,611	(1,248,545)	-	34,098,066
Governmental Activities Capital Assets - Net	\$ 35,799,685	\$ (713,398)	\$ (720,426)	\$ 34,365,861

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 1,548,785
Student support	435
Instructional staff	1,817
District administration	401
School administration	70
Business support	475
Plant	549,249
	\$ 2,101,232



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

#### NOTE 5 - CAPITAL ASSETS – CONTINUED

Business-Type Activities	July 1, 2017	Additions	Deductions	June 30, 2018
Buildings and improvements	\$ 339,450	\$ -	\$ -	\$ 339,450
Food service equipment	1,005,406		(7,140)	998,266
Totals at historical cost	1,344,856	-	(7,140)	1,337,716
Accumulated depreciation:				
Buildings and improvements	327,608	4,900		332,508
Food service equipment	802,643	38,416	(5,180)	835,879
Total accumulated depreciation	1,130,251	43,316	(5,180)	1,168,387
Business-Type Activities				
Capital Assets - Net	\$ 214,605	\$ (43,316)	\$ (1,960)	\$ 169,329

#### 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, 2018, is as follows:

Description	July 1, 2017	Additions	Reductions	June 30, 2018	Due Within 1 Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 25,415,000		\$ (975,000)	\$ 24,440,000	\$ 1,020,000
Less Discount/premium	(186,339)		18,561	(167,778)	-
Total Bonds Payable	25,228,661	-	(956,439)	24,272,222	1,020,000
Other Liabilities:					
Compensated absence	1,534,577	56,806	(133,596)	1,457,787	356,066
Total Governmental Activities					
Long-Term Liabilities	\$ 26,763,238	\$ 56,806	\$ (1,090,035)	\$ 25,730,009	\$ 1,376,066

The debt service fund is primarily responsible for paying the bond obligations through funding from the general, 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, 2018

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

##### Bond Liabilities

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

Issue Date	Original Proceeds	Rates
1998	\$ 850,000	4.25% - 4.95%
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. 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, 2018, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Portion	U.S. Govt Portion	District's Portion
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	1,110,000	809,484	43,056	482,109	1,394,319
2023	1,275,000	782,599	43,056	482,109	1,532,434
2024-2028	4,790,000	3,576,265	34,049	2,410,545	5,921,671
2029-2033	13,345,000	628,022	1,004,080	241,055	12,727,887
2034-2035	810,000	25,781			835,781
	\$ 24,440,000	\$ 8,387,401	\$ 1,281,409	\$ 5,062,145	\$ 26,483,847

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

The Elizabethtown Independent School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), 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. TRS, 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. TRS 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 TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

##### 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.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. 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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### 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.

#### 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 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2018, 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, 2018. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### 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, 2018, 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 \$95,684,588.

The net pension liability was measured as of June 30, 2017, 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 and the State, actuarially determined. At June 30, 2017, the District's proportion was 0 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$6,811,276 and revenue of \$6,811,276 (\$3,399,617 in the governmental funds and an additional \$3,411,659 in government-wide activities) for support provided by the State. At June 30, 2018, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 – 7.30 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 BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

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, 2018

#### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	42%	4.4%
International Equity	20%	5.3%
Fixed Income	16%	1.5%
Other	9%	3.6%
Real Estate	5%	4.4%
Alternatives	6%	6.7%
Cash	2%	0.8%
	100%	

#### Discount Rate

Discount rate. The discount rate used to measure the total pension liability was 4.49 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. 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 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56 percent was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

#### 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 4.49 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 (3.49 percent) or 1-percentage-point higher (5.49 percent) than the current rate:

Description	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
System's net pension liability			
(in thousands)	\$ 35,029,551	\$ 28,259,123	\$ 22,702,413

#### 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 TRS 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, 2018

#### 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. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, 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. No COLA has been granted since July 1, 2011.

###### Contributions

For the fiscal year ended June 30, 2018, 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, 2018, was 14.48 percent of annual creditable compensation. Contributions to the pension plan from the District were \$438,573.

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

At June 30, 2018, the District reported a liability of \$6,976,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.119186 percent, which was a decrease of .002869 percent from its proportion measured as of June 30, 2016.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 8 – PENSION PLANS – CONTINUED

For the year ended June 30, 2018, the District recognized pension expense of \$7,854,818. At June 30, 2018, 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:

Column1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,653	\$ 177,089
Changes in actuarial assumptions	1,287,321	-
Difference between projected and actual investment earnings	552,516	466,227
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,268	101,958
Contributions paid to CERS subsequent to the measurement date	438,573	-
	\$ 2,293,331	\$ 745,274

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$438,573 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2018	\$ 483,977
2019	497,143
2020	217,943
2021	(89,579)
	\$ 1,109,484

#### Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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.



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 8 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013 and adopted by the Board on December 4, 2014.

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 December 3, 2015. 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
	100%	

#### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 8 – PENSION PLANS – CONTINUED

##### 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Column1	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 8,798,651	\$ 6,976,324	\$ 5,451,959

##### 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.

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

##### Plan Descriptions

The Elizabethtown Independent School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), 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. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS 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 TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### TRS

##### General Information about the OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at [www.trs.ky.gov](http://www.trs.ky.gov).

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

##### **Medical Insurance Fund**

**Plan description** – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**Benefits provided** – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

**Contributions** – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

##### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$6,699,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .187883 percent.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Description	Amount
District's proportionate share of the net OPEB liability	\$ 6,699,000
State proportionate share of the net OPEB liability associated with the District	5,473,000
Total	\$ 12,172,000

For the year ended June 30, 2018, the District recognized OPEB expense of \$436,000 and revenue of \$356,000 (\$262,944 in the governmental funds and an additional \$93,056 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 47,000
Contributions paid to CERS subsequent to the measurement date	332,000	
	\$ 332,000	\$ 47,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$332,000 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	Pension Expense Amount
2019	\$ (12,100)
2020	(12,100)
2021	(12,100)
2022	(10,700)
	\$ (47,000)

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	60%	5.1%
Fixed Income	9%	1.2%
Real Estate	5%	4.0%
Private Equity	6%	6.6%
High Yield	10%	4.3%
Other	10%	3.3%
Cash	1%	0.5%
	100%	

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Description	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net OPEB liability	\$ 7,801,600	\$ 6,699,000	\$ 5,782,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,610,650	\$ 6,699,000	\$ 8,043,820

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

#### Life Insurance Fund

Plan description – Life Insurance Fund – TRS administers the life insurance fund as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the Commonwealth.

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$73,000.

For the year ended June 30, 2018, the District recognized OPEB expense of \$11,000 and revenue of \$11,000 (\$3,219 in the governmental funds and an additional \$7,781 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.75%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other	7.0%	3.3%
Cash	1.0%	0.5%
	100%	

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Sensitivity Of The Net OPEB 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net OPEB liability (in thousands)	\$ 36,497	\$ 21,959	\$ 10,055

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

#### CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. 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, 2018, was 4.70 percent of annual creditable compensation. Contributions to the pension plan from the District were \$438,573.

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$2,396,047 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.119186 percent, which was a decrease of .002869 percent from its proportion measured as of June 30, 2016.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2018, the District recognized OPEB expense of \$273,038. At June 30, 2018, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 6,655
Changes in actuarial assumptions	521,365	
Difference between projected and actual investment earnings		113,236
Changes in proportion and differences between employer contributions and proportionate share of contributions		5,560
Contributions paid to CERS subsequent to the measurement date	142,355	
	\$ 663,720	\$ 125,451

Of the total amount reported as deferred outflows of resources related to OPEB, \$142,355 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	OPEB Expense Amount
2019	\$ 68,121
2020	68,121
2021	68,121
2022	68,121
2023	96,430
Thereafter	27,000
	\$ 395,914

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%, average
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	3.56%
Discount Rate	5.83%

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.

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 December 3, 2015. 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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
	100%	

The projection of cash flows used to determine the discount rate of 5.84% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.83%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.83%) or 1-percentage-point higher (6.83%) than the current rate:

Description	1% Decrease (4.83%)	Current Discount Rate (5.83)	1% Increase (6.83%)
District's proportionate share of the net OPEB liability	\$ 1,879,387	\$ 2,396,047	\$ 3,048,836

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,837,891	\$ 2,396,047	\$ 3,121,616

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

#### 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 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2018, 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, 2018, the District had \$100,000 restricted for sick leave in the general fund, \$176,838 restricted for grants in the special revenue fund, \$718,732 restricted for capital projects in the SEEK Capital Outlay Fund, \$1,208,144 restricted for capital projects in the FSPK Fund, \$680,446 restricted for capital projects in the Construction Fund, and \$2,739,373 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 \$800,000 committed for future construction in the General Fund and \$51,494 committed for school funds in the District Activity Fund at June 30, 2018.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 10 – FUND BALANCES – CONTINUED

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, 2018.

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.

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 11 – 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.

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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 12 – DEFICIT OPERATING BALANCES

The Food Service Fund and Daycare Fund had deficit net position at June 30, 2018 in the amount of \$321,364 and \$158,208. The deficit net position is a result of the recording of the net pension and net OPEB liabilities for CERS.

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

Fund	Amount
General Fund	\$ 88,005
Construction Fund	534,646
Food Service Fund	129,855
Daycare Fund	49,278

#### NOTE 13 – 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, 2018 were as follows:

Description	Amount
Health	\$ 2,447,412
Life	4,057
Admin	33,513
HRA	166,600
TRS Pension	3,399,617
TRS OPEB	266,163
Technology	53,270
Debt Service	144,182
Less: Federal Reimbursement	(133,640)
Total on-behalf	\$ 6,381,174
Recorded as follows:	
General Fund	\$ 6,135,778
Food Service Fund	86,162
Daycare Fund	15,052
Debt Service Fund	144,182
	\$ 6,381,174

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

#### NOTE 14 – OPERATING LEASE

During fiscal year 2018, the District entered into a lease for Chromebooks. The lease requires four annual payments of \$40,299.67 with the first due in 2018. Remaining payments of \$40,299.67 will be made in fiscal years 2019, 2020 and 2021.

#### NOTE 15 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This required a restatement to beginning net position as follows:

Description	Amount
<b>Governmental Activities</b>	
Net Position, July 1, 2017	\$ 16,147,541
CERS OPEB	(1,470,123)
TRS MIF OPEB	(6,299,365)
Restated Net Position, July 1, 2017	\$ 8,378,053
<b>Food Service Fund</b>	
Net Position, July 1, 2017	\$ 54,922
CERS OPEB	(246,431)
Restated Net Position, July 1, 2017	\$ (191,509)
<b>Daycare Fund</b>	
Net Position, July 1, 2017	\$ (67,133)
CERS OPEB	(41,797)
Restated Net Position, July 1, 2017	\$ (108,930)



## REQUIRED SUPPLEMENTARY INFORMATION

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

**FINAL DRAFT**

**GENERAL FUND**

Year Ended June 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 4,367,924	\$ 4,618,118	\$ 4,731,037
Motor vehicle	232,377	242,091	288,324
Utilities	930,000	990,000	797,130
Revenue in lieu of taxes	108,200	108,200	108,233
Tuition and fees	275,093	275,093	242,837
Earnings on investments	80,000	80,000	187,001
Other local revenues	47,000	5,000	55,150
Intergovernmental - State	9,943,409	10,036,786	16,158,021
Intergovernmental - Indirect Federal	25,000	25,000	37,286
Intergovernmental - Direct Federal	15,000	15,000	7,385
	<u>16,024,003</u>	<u>16,395,288</u>	<u>22,612,404</u>
<b>Total Revenues</b>			
	16,024,003	16,395,288	22,612,404
<b>Expenditures:</b>			
Instruction	10,354,738	10,330,694	14,851,103
Support services:			
Student	784,555	792,214	1,029,181
Instruction staff	583,832	648,399	872,723
District administrative	554,398	555,044	530,667
School administrative	1,067,080	1,068,481	1,516,774
Business	703,606	704,106	633,245
Plant operation and maintenance	2,061,735	2,101,734	2,613,492
Student transportation	694,964	694,963	782,741
Community service activities			2,018
Other non-instruction	4,815,540	5,034,788	
	<u>21,620,448</u>	<u>21,930,423</u>	<u>22,831,944</u>
<b>Total Expenditures</b>			
	21,620,448	21,930,423	22,831,944
<b>Excess (Deficit) of Revenues over Expenditures</b>			
	(5,596,445)	(5,535,135)	(219,540)
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of capital assets			1,710
Insurance proceeds			312,612
Transfers in	68,000	68,000	69,761
Transfers out	(262,154)	(262,154)	(252,548)
	<u>(194,154)</u>	<u>(194,154)</u>	<u>131,535</u>
<b>Total Other Financing Sources (Uses)</b>			
	(194,154)	(194,154)	131,535
<b>Net Change in Fund Balance</b>			
	<u>(5,790,599)</u>	<u>(5,729,289)</u>	<u>(88,005)</u>
<b>Fund Balance, July 1, 2017</b>			
	<u>5,790,599</u>	<u>5,729,289</u>	<u>6,629,289</u>
<b>Fund Balance, June 30, 2018</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,541,284</u>

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 \$6,135,778.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

**FINAL DRAFT**

**SPECIAL REVENUE FUND**

Year Ended June 30, 2018

	Original	Final	Actual
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ -	\$ 3,016
Other local revenues		25,000	72,339
Intergovernmental - State	605,831	826,847	854,679
Intergovernmental - Indirect Federal	1,170,471	1,311,041	1,239,898
<b>Total Revenues</b>	1,776,302	2,162,888	2,169,932
<b>Expenditures:</b>			
Instruction	1,475,631	1,731,340	1,742,952
Support services:			
Student	51,966	50,491	53,278
Instruction staff	232,346	255,974	229,405
Plant operation and maintenance			
Student transportation	16,359	17,432	7,957
Community service activities		153,045	158,868
<b>Total Expenditures</b>	1,776,302	2,208,282	2,192,460
<b>Excess (Deficit) of Revenues over Expenditures</b>	-	(45,394)	(22,528)
<b>Other Financing Sources (Uses):</b>			
Transfers in	15,922	45,394	45,394
Transfers out	(15,922)		
<b>Total Other Financing Sources (Uses)</b>	-	45,394	45,394
<b>Net Change in Fund Balance</b>	-	-	22,866
<b>Fund Balance, July 1, 2017</b>	-	-	153,972
<b>Fund Balance, June 30, 2018</b>	\$ -	\$ -	\$ 176,838

FINAL DRAFT

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

June 30, 2018

Last 10 Years \*

	2018	2017	2016	2015
Proportion of the net pension liability	0.119186%	0.122055%	0.121655%	0.125763%
Proportionate share of the net pension liability	\$ 6,976,324	\$ 6,009,501	\$ 5,230,281	\$ 4,080,000
Covered - employee payroll	\$ 2,939,449	\$ 2,969,799	\$ 2,858,115	\$ 3,084,414
Proportionate share of the net pension liability as percentage of covered payroll	237.3%	202.4%	183.0%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Proportion of the net OPEB liability	0.119186%
Proportionate share of the net OPEB liability	\$ 2,396,047
Covered - employee payroll	\$ 2,939,449
Proportionate share of the net OPEB liability as percentage of covered payroll	81.51%
Plan fiduciary net position as a percentage of the total OPEB liability	59.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY

June 30, 2018

Last 10 Years \*

	2018	2017	2016	2015
Proportion of the net pension liability	0.354600%	0.355600%	0.349500%	0.331400%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	95,684,588	104,912,414	81,324,585	68,101,554
Total	<u>\$ 95,684,588</u>	<u>\$ 104,912,414</u>	<u>\$ 81,324,585</u>	<u>\$ 68,101,554</u>
Covered - employee payroll	\$ 10,898,532	\$ 10,787,947	\$ 10,465,027	\$ 10,124,524
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	39.80%	35.22%	42.49%	45.59%

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY - MEDICAL INSURANCE FUND

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Proportion of the net OPEB liability	0.187883%
District's proportionate share of the net OPEB liability	\$ 6,699,000
State proportionate share of the net OPEB liability associated with the District	<u>5,473,000</u>
Total	<u>\$ 12,172,000</u>
Covered - employee payroll	\$ 11,087,834
District's proportionate share of the net OPEB liability as percentage of covered payroll	60.42%
Plan fiduciary net position as a percentage of the total OPEB liability	81.38%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY - LIFE INSURANCE FUND

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Proportion of the net pension liability	0.000000%
District's proportionate share of the net pension liability	\$ -
State proportionate share of the net pension liability associated with the District	<u>73,000</u>
Total	<u>\$ 73,000</u>
Covered - employee payroll	\$ 11,087,834
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	80.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2018

Last 10 Years \*

	2018	2017	2016	2015
Contractually require contribution (actuarially determined)	\$ 438,573	\$ 410,053	\$ 368,725	\$ 364,410
Contribution in relation to the actuarially determined contributions	438,573	410,053	368,725	364,410
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,028,820	\$ 2,939,449	\$ 2,968,799	\$ 2,858,115
Contributions as a percentage of covered employee payroll	14.48%	13.95%	12.42%	12.75%

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2018

Last 10 Years \*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 11,146,326	\$ 10,898,532	\$ 10,787,947	\$ 10,465,027
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 142,355
Contribution in relation to the actuarially determined contributions	<u>142,355</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered employee payroll	\$ 3,028,820
Contributions as a percentage of covered employee payroll	4.70%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 332,000
Contribution in relation to the actuarially determined contributions	<u>332,000</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 11,063,121
Contributions as a percentage of covered employee payroll	3.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2018

Last 10 Years \*

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ -
Contribution in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 11,063,121
Contributions as a percentage of covered employee payroll	0.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

#### CERS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2018.

*Changes of assumptions:*

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016 and 2017

No changes.

2018

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

#### TRS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2018.

*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. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. There were no changes for 2015 to 2018.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

#### CERS OPEB

*Changes of benefit terms.* There were no changes in benefit terms for 2018.

*Changes of assumptions:*

2018

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

#### TRS OPEB

*Changes of benefit terms.*

2018

MIF – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF - None

*Changes of assumptions.* There were no changes in assumptions for 2018.



## SUPPLEMENTARY INFORMATION

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash, cash equivalents and investments	\$ 60,176	\$ 718,732	\$ 80,446	\$ 859,354
<b>Total Assets</b>	<u>\$ 60,176</u>	<u>\$ 718,732</u>	<u>\$ 80,446</u>	<u>\$ 859,354</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts payable	\$ 8,682	\$ -	\$ -	\$ 8,682
<b>Total Liabilities</b>	<u>8,682</u>	<u>-</u>	<u>-</u>	<u>8,682</u>
<b>Fund Balances</b>				
Restricted		718,732	80,446	799,178
Committed	51,494			51,494
<b>Total Fund Balances</b>	<u>51,494</u>	<u>718,732</u>	<u>80,446</u>	<u>850,672</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 60,176</u>	<u>\$ 718,732</u>	<u>\$ 80,446</u>	<u>\$ 859,354</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2018

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Other local revenue	\$ 157,590			\$ 157,590
Earnings on investments		10,669	162	10,831
Intergovernmental - State		216,163		216,163
<b>Total Revenues</b>	157,590	226,832	162	384,584
<b>Expenditures</b>				
Instruction	140,752			140,752
Support services:				
Plant operation and maintenance	7,368			7,368
Facilities acquisition and construction			534,808	534,808
<b>Total Expenditures</b>	148,120	-	534,808	682,928
<b>Excess (Deficit) of Revenues over Expenditures</b>	9,470	226,832	(534,646)	(298,344)
Other Financing Sources (Uses)				
Transfers in		119,644		119,644
Transfers out		(119,644)		(119,644)
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
<b>Net Change in Fund Balances</b>	9,470	226,832	(534,646)	(298,344)
<b>Fund balance, July 1, 2017</b>	42,024	491,900	615,092	1,149,016
<b>Fund balance, June 30, 2018</b>	<u>\$ 51,494</u>	<u>\$ 718,732</u>	<u>\$ 80,446</u>	<u>\$ 850,672</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### COMBINING STATEMENT OF FIDUCIARY NET POSITION

#### AGENCY FUNDS

June 30, 2018

	Panther Academy	Helmwood Heights Elementary	Morningside Elementary	T.K. Stone Middle School	Elizabethtown High School	Total Agency Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 463	\$ 17,138	\$ 16,574	\$ 59,855	\$ 216,630	\$ 310,660
Receivables		731				731
<b>Total Assets</b>	<b>\$ 463</b>	<b>\$ 17,869</b>	<b>\$ 16,574</b>	<b>\$ 59,855</b>	<b>\$ 216,630</b>	<b>\$ 311,391</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 30	\$ -	\$ 4,752	\$ 4,782
Due to student groups	463	17,869	16,544	59,855	211,878	306,609
<b>Total Liabilities</b>	<b>\$ 463</b>	<b>\$ 17,869</b>	<b>\$ 16,574</b>	<b>\$ 59,855</b>	<b>\$ 216,630</b>	<b>\$ 311,391</b>



## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

#### AGENCY FUNDS

JUNE 30, 2018

SCHOOL	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES June 30, 2018	ACCOUNTS PAYABLE June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Elizabethtown High	\$ 209,262	\$ 564,693	\$ 557,325	\$ 216,630	\$ -	\$ 4,752	\$ 211,878
Helmwood Heights Elementary	14,540	20,248	17,650	17,138	731	-	17,869
Morningside Elementary	21,747	25,138	30,311	16,574	-	30	16,544
Panther Academy	1,310	4,828	5,675	463	-	-	463
T.K. Stone Middle	43,643	101,781	85,569	59,855	-	-	59,855
	<u>\$ 280,221</u>	<u>\$ 716,688</u>	<u>\$ 696,530</u>	<u>\$ 310,660</u>	<u>\$ 731</u>	<u>\$ 4,782</u>	<u>\$ 306,609</u>

# FINAL DRAFT

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

#### ELIZABETHTOWN HIGH SCHOOL

YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES June 30, 2018	ACCOUNTS PAYABLE June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Academic Team	\$ 139	\$ 71	\$ 169	\$ 41	\$ -	\$ -	\$ 41
Adult Vending	444	1,462	1,148	758	-	-	758
Agendas	5	-	-	5	-	-	5
Angels in the Outfield	1,552	12,424	13,356	620	-	-	620
APEX	100	650	700	50	-	-	50
AP Social Studies	543	-	-	543	-	-	543
Archery	6,028	8,860	5,997	8,891	-	-	8,891
Art Club	527	-	353	174	-	-	174
Athletic Concessions	4,085	9,931	7,209	6,807	-	-	6,807
Athletic Fees	29,370	27,480	36,715	20,135	-	-	20,135
Athletic Gate	40,508	51,826	45,060	47,274	-	-	47,274
Athletic Post Season	4,999	47,065	41,920	10,144	-	-	10,144
Athletics	1,842	6,219	3,930	4,131	-	-	4,131
Band	3,840	8,693	10,546	1,987	-	-	1,987
Baseball	4,373	5,000	6,990	2,383	-	-	2,383
Baseball Camp	3,843	1,840	2,323	3,360	-	-	3,360
Baseball Regional	-	-	-	-	-	-	-
Belle	8,822	13,848	16,123	6,547	-	-	6,547
Beta Club	2,042	4,060	5,388	714	-	-	714
Beta Club Service Proj	-	-	-	-	-	-	-
Beta-Service Proj #2	-	-	-	-	-	-	-
Bowling	983	2,214	2,911	286	-	-	286
Boy's Basketball	1,736	16,646	17,242	1,140	-	-	1,140
Boy's Basketball Camp	2,000	4,033	6,033	-	-	-	-
Boy's Basketball District	-	-	-	-	-	-	-
Boy's Soccer	1,257	13,169	11,751	2,675	-	-	2,675
Boy's Soccer Camp	310	4,280	4,590	-	-	-	-
Boys Soccer Tournament	2	11,095	11,097	-	-	-	-
Building Rental	2,963	5,122	5,263	2,822	-	-	2,822
Business Education	3,079	1,862	1,883	3,058	-	-	3,058
Cheerleading	1,957	2,660	2,154	2,463	-	-	2,463
Cheerleading Clinic	2,342	-	-	2,342	-	-	2,342
Cheer Regional Tournament	-	6,302	6,302	-	-	-	-
Child Services	-	202	202	-	-	-	-
Chorus	2,075	2,750	3,814	1,011	-	-	1,011
Chromebook	-	790	30	760	-	-	760
Class of 1960 Scholarship	399	180	-	579	-	-	579
Class of 2005 Scholarship	1,000	-	-	1,000	-	-	1,000
Computer Science	-	410	60	350	-	-	350
Cross Country	1,831	1,566	2,544	853	-	-	853
Dow Corning	-	-	-	-	-	-	-
Drama	348	83	-	431	-	-	431
Earth Club	398	-	-	398	-	-	398
Engineering	66	-	-	66	-	-	66
English	1,821	4,708	4,925	1,604	-	-	1,604
English-Poetry	500	1,200	-	1,700	-	-	1,700
FBLA	-	2,359	2,315	44	-	-	44
FCA	262	70	105	227	-	-	227
FCA - Service Project	-	1,500	577	923	-	-	923
Fishing	529	4,540	4,046	1,023	-	-	1,023
Football	1	24,856	20,857	4,000	-	-	4,000
Football-District Tourna	-	-	-	-	-	-	-
Freshman Class	133	-	-	133	-	-	133
Fund for the Arts	52	-	-	52	-	-	52
Gifted and Talented	505	-	250	255	-	-	255
Girl's Basketball	529	8,133	6,272	2,390	-	4,752	(2,362)
Girl's Basketball Camp	865	2,300	1,175	1,990	-	-	1,990
Girl's Basketball Dist	651	-	651	-	-	-	-
Girl's Soccer	6,894	6,947	6,370	7,471	-	-	7,471
Girl's Soccer Camp	4,229	-	-	4,229	-	-	4,229
Girl's Soccer District	-	-	-	-	-	-	-
Girls Soccer Regional	-	-	-	-	-	-	-
Girls Soccer State	-	-	-	-	-	-	-
Golf	43	1,500	1,378	165	-	-	165
Green Dot	18	2,000	18	2,000	-	-	2,000

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

#### ELIZABETHTOWN HIGH SCHOOL - CONCLUDED

YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES June 30, 2018	ACCOUNTS PAYABLE June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Guidance	4,096	27,278	25,640	5,734	-	-	5,734
Interest	2,928	5,292	7,641	579	-	-	579
Junior Class	197	-	-	197	-	-	197
KYA/KUNA	2,357	34,300	35,618	1,039	-	-	1,039
Lacrosse	999	2,000	2,999	-	-	-	-
Library	253	375	628	-	-	-	-
Lock Fund	15	30	-	45	-	-	45
Mathematica	1,400	-	1,332	68	-	-	68
Mathematics	1,671	1,464	1,125	2,010	-	-	2,010
Muslim Student Asso	86	29	-	115	-	-	115
Parking	65	1,360	1,425	-	-	-	-
Pep Club	123	289	260	152	-	-	152
Physical Education	-	360	-	360	-	-	360
Pictures	734	1,509	1,268	975	-	-	975
Ping Pong Club	-	125	112	13	-	-	13
PLTW Consumables	1,995	2,312	1,503	2,804	-	-	2,804
PLTW Fees	40	-	-	40	-	-	40
Project Graduation	3,806	8,442	8,598	3,650	-	-	3,650
Prom	5,948	9,750	9,369	6,329	-	-	6,329
Rewards Program	442	3,626	3,969	99	-	-	99
SADD	416	309	174	551	-	-	551
SADD - Grant	425	-	-	425	-	-	425
SADD - Service Project	16	-	-	16	-	-	16
Science	-	4,100	4,100	-	-	-	-
Senior Class	455	705	599	561	-	-	561
Senior Trip	112	33,575	33,375	312	-	-	312
Service Club	60	1,811	838	1,033	-	-	1,033
Social Committee	257	615	532	340	-	-	340
Social Committee (Angel)	26	-	26	-	-	-	-
Social Studies	405	1,474	1,636	243	-	-	243
Softball	2,701	13,873	12,711	3,863	-	-	3,863
Softball Tournament	-	2,606	1,911	695	-	-	695
Sophomore Class	399	-	-	399	-	-	399
Spanish Club	532	122	86	568	-	-	568
Spanish Honors	74	-	74	-	-	-	-
Special Ed - Jr Achieve	318	-	318	-	-	-	-
Special Education	2,044	609	1,113	1,540	-	-	1,540
Speech	1,156	1,722	2,187	691	-	-	691
STLP	33	-	-	33	-	-	33
Student Assistance Fund	234	-	80	154	-	-	154
Student Council	4,138	18,711	18,665	4,184	-	-	4,184
Student Vending	254	573	482	345	-	-	345
Sweep	280	689	969	-	-	-	-
Swimming	2,155	1,390	816	2,729	-	-	2,729
Swimming Regional	-	7,538	7,538	-	-	-	-
T-Shirt Sales	-	480	378	102	-	-	102
Target	364	-	80	284	-	-	284
Technical Education	198	610	-	808	-	-	808
Tennis	859	1,729	1,944	644	-	-	644
Tennis Camp	1,754	560	1,662	652	-	-	652
Tennis Regional	-	1,116	1,066	50	-	-	50
Textbooks	183	12,152	12,285	50	-	-	50
Track	6,459	7,815	12,289	1,985	-	-	1,985
Track Regional	-	-	-	-	-	-	-
United Way	10	1128	1128	10	-	-	10
VEX Robotic Team	1,521	3,561	2,186	2,896	-	-	2,896
Volleyball	51	5,425	5,476	-	-	-	-
Volleyball-Camp	150	-	150	-	-	-	-
Volleyball-District	-	2,315	2,315	-	-	-	-
Winterguard	538	2,104	1,886	756	-	-	756
Writing Club	-	941	851	90	-	-	90
Yearbook	690	2,888	1,170	2,408	-	-	2,408
Subtotal	209,262	564,693	557,325	216,630	-	4,752	211,878
Interfund Transfers							
TOTAL	\$ 209,262	\$ 564,693	\$ 557,325	\$ 216,630	\$ -	\$ 4,752	\$ 211,878





FINAL DRAFT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

**FINAL DRAFT**

<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	7750002-17	\$ 162,472
		7750002-18	597,388
School Breakfast Program	10.553	7760005-17	71,070
		7760005-18	250,604
Summer Food Service Program for Children	10.559	7690024-17	2,753
		7740023-17	26,311
		7740023-18	37,374
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	94,322
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<b>1,242,294</b>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<b>1,242,294</b>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	337CP	402
		337D	411,851
		337DP	893
			413,146
Special Education - Preschool Grants	84.173	343C	4,268
		343D	9,000
			13,268
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>			<b>426,414</b>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	GF	7,385
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310B	36,351
		310BM	8,940
		310C	110,090
		310CM	9,263
		310D	509,656
		310DM	2,639
			676,939
Vocational Education - Basic Grants to States	84.048	348CA	1,284
		348D	26,582
			27,866
English Language Acquisition Grants	84.365	345C	2,874
		345D	9,653
			12,527
Improving Teacher Quality - State Grants	84.367	401B	5,272
		401C	52,470
		401D	38,411
			96,153
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,247,284</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,489,578</b>

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, 2018

#### **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, 2018. 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 – INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

#### **NOTE E – 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, 2018**

**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 ☒Xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes ☒Xnone reported

Noncompliance material to financial statements noted?

yes ☒Xno

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? yes ☒Xno
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes ☒Xnone 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 ☒Xno

## Section I – Summary of Auditor’s Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
	<b>DEPARTMENT OF AGRICULTURE</b>
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

## Section II – Financial Statement Findings

**No matters were reported.**

## Section III – Federal Award Findings and Questioned Costs

**No matters were reported.**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**



**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2018

There were no prior year 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  
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**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**

Kentucky State Committee for School District Audits  
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, 2018, 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 October 4, 2018.

## **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 October 4, 2018.

## 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.

A handwritten signature in dark ink that reads "Stiles, Carter & Associates, CPAs, PSC". The signature is written in a cursive, flowing style.

Stiles, Carter & Associates, CPAs, PSC  
Elizabethtown, Kentucky  
October 4, 2018

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



CHRIS R. CARTER, CPA  
ANN M. FISHER, CPA  
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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits  
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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Stiles, Carter & Associates, CPAs, PSC  
Elizabethtown, Kentucky  
October 4, 2018

## MANAGEMENT LETTER AND COMMENTS





CHRIS R. CARTER, CPA  
ANN M. FISHER, CPA  
SCOTT KISSELBAUGH, CPA  
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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, 2018, 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 October 4, 2018, contains our report on the District's internal control. This letter does not affect our report dated October 4, 2018, 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.

A handwritten signature in black ink that reads "Stiles, Carter &amp; Associates, CPAs, PSC". The signature is written in a cursive, flowing style.

Stiles, Carter & Associates, CPAs, PSC  
Elizabethtown, Kentucky  
October 4, 2018

## **ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

### **COMMENTS**

June 30, 2018

### **PRIOR YEAR UNCORRECTED COMMENTS**

#### **PANTHER ACADEMY**

##### **NEGATIVE BALANCE**

Upon review of the Annual Financial Report that was on file for the 2017-2018 fiscal year, we noted that the Bank Service Charge account had a balance of -111.14 at June 30, 2018. Redbook requires that if an activity account ends the year with a negative balance (after taking accounts receivable and accounts payable into consideration), then the general activity account must cover the deficit by June 30.

##### **MANAGEMENT RESPONSE**

- 1.) Due to this being a repeated offense, from this point on, when finalizing each monthly financial report, the principal will review the General Ledger Financial Report with the school bookkeeper to determine if there are any negative balances in the activity funds.
- 2.) If there is a negative balance, the monthly financial documents will be reviewed to determine what corrections are needed at that time prior to finalizing the monthly financial reports. The bookkeeper will prepare and provide the necessary documentation for the correction as per Redbook guidelines. The principal will review and sign the documentation reflecting all activity funds have positive balances.
- 3.) Due to this particular offense, there were likely posting errors and not a situation where these accounts were in the negative because of a withdraw on these accounts. In the future, the Redbook guidelines referenced under the "Reporting and Account Balance" section, Item #5 on page 19 of the Redbook will be followed.

#### **ELIZABETHTOWN HIGH SCHOOL**

##### **TICKET SALES**

We noted during review of ticket sales that the Requisition and Report of Ticket Sales form (F-SA-1) that was submitted for the basketball game held on 12/1/2017 and the football game held on 9/29/2017 had the same individual initial as being the ticket seller in columns C or E of the form and sign as being the ticket taker for the event. Redbook requires that the individual that sells tickets for school events initial in both columns C and E stating that he/she sold tickets for the event reported on the form and that a separate individual sign the form stating that he/she was the ticket taker for the event reported on the form.

##### **MANAGEMENT RESPONSE**

Ticket requisition sheet will highlight the two areas to indicate two separate people are required for each gate; one as the ticket seller and the other as the ticket taker. Both to be highlighted in separate colors indicating two different people's initials and signatures are required.

## CURRENT YEAR COMMENTS

### PANTHER ACADEMY

#### FUNDRAISER APPROVAL FORMS

We noted that the deposit made on 6/29/18, in the amount of \$229.00 included a Multiple Receipt Form (F-SA-6) for the receipt of picture sales commissions in the amount of \$209.00 that was deposited into the School Pictures. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for the fundraiser; therefore, we were unable to determine if the funds were deposited into the correct account.

#### MANAGEMENT RESPONSE

- 1.) All Fundraiser Approval forms (F-SA-2A) for all school fundraisers reflected on the approved Compilation of Fund Raising Requests (09.33 AI'.22) for each school year will be completed by the school bookkeeper by August 1 of each school year.
- 2.) The principal shall review and sign all of the Fundraiser Approval Forms (F-SA-2A) upon their completion.

### ELIZABETHTOWN HIGH SCHOOL

#### NEGATIVE BALANCES

We noted during review of the Annual Financial Report that the Girls' Basketball account ended the 17-18 fiscal year with a balance of 2,389.95. However, after considering the payable of \$4,751.80 for the purchase of equipment the ending balance of the Girls' Basketball account at June 30, 2018 is (\$2,361.85). Redbook states that if an activity account ends the year with a negative balance (after taking receivable and accounts payable into consideration), the general activity account must cover the deficit by June 30.

#### MANAGEMENT REPONSE

Every 30 days the school bookkeeper will pull pending purchase orders and follow up with the requesting staff and/or vendor to ensure the invoice from the vendor has been received or is in route to the school to allow prompt payment.

#### ACCOUNTS PAYABLE

We noted that check #18749, dated 7/19/18, written to Duke's Sporting Goods in the amount of \$4,751.80 for basketball equipment had an attached Purchase Order Form (F-SA-7) dated 8/1/17 and an invoice that was dated 12/20/17. However, this check was not included in the Accounts Payable portion of the Accounts Receivable and Accounts Payable Form (F-SA-15B) that was on file for the month of June 2018.

#### MANAGEMENT REPONSE

Every 30 days the school bookkeeper will pull pending purchase orders and follow up with the requesting staff and/or vendor to ensure the invoice from the vendor has been received or is in route to the school to allow prompt payment.

#### UNTIMELY DEPOSIT

We noted that the deposit made on 10/10/17, in the amount of \$36,037.47 included a ticket sale proceeds in the amount of \$740.00, \$350.35 and \$1,870.00 from games held on 9/27/17, 9/28/17 and 9/29/17 respectively. Redbook requires that deposit in excess of \$100.00 be made daily.

#### MANAGEMENT REPONSE

In the event the bookkeeper will be out of the office for an extended period of time, the principal and district finance officer will be notified in advance to ensure a person has been named as the acting bookkeeper and will make deposits daily if so needed.