

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2020

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2020

	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1-3</b>
<b>Management's Discussion and Analysis .....</b>	<b>4-10</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	11
Statement of Activities .....	12
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Net Position – Proprietary Funds .....	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	18
Statement of Cash Flows – Proprietary Funds .....	19
Statement of Fiduciary Net Position – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	21
<b>Notes to the Basic Financial Statements .....</b>	<b>22-56</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Schedules</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	58

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**TABLE OF CONTENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2020**

	<u>Page</u>
<b>Pension and OPEB Schedules and Notes to Schedules</b>	
Schedule of the District's Proportionate Share of the CERS Net Pension Liability .....	59
Schedule of the District's Proportionate Share of the CERS Net OPEB Liability .....	60
Schedule of the District's Proportionate Share of the TRS Net Pension Liability .....	61
Schedule of the District's Proportionate Share of the TRS Net OPEB Liability – MIF .....	62
Schedule of the District's Proportionate Share of the TRS Net OPEB Liability – LIF .....	63
Schedule of Contributions to CERS Pension .....	64
Schedule of Contributions to TRS Pension .....	65
Schedule of Contributions to CERS OPEB .....	66
Schedule of Contributions to TRS OPEB – MIF .....	67
Schedule of Contributions to TRS OPEB – LIF .....	68
Notes to Required Supplementary Information – CERS Pension & OPEB .....	69
Notes to Required Supplementary Information – TRS Pension & OPEB .....	70
<b>Supplementary Information:</b>	
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	72
Combining Statement of Fiduciary Net Position – Fiduciary Funds .....	73
<b>Schools:</b>	
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – All Schools .....	74
Schedule of Assets, Cash Receipts and Disbursements and Liabilities – Elizabethtown High School .....	75-77
<b>Schedule of Expenditures of Federal Awards .....</b>	<b>78</b>
<b>Notes to the Schedule of Expenditures of Federal Awards .....</b>	<b>79</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>80-81</b>
<b>Summary Schedule of Prior Year Audit Findings .....</b>	<b>82</b>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**TABLE OF CONTENTS - CONTINUED**

**YEAR ENDED JUNE 30, 2020**

	<u>Page</u>
<b>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 <i>Government Auditing Standards</i> .....</b>	<b>83-84</b>
<b>Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....</b>	<b>85-86</b>
<b>Management Letter and Comments .....</b>	<b>87-88</b>



HCA

Heartland CPAs and Advisors PLLC

---

## 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, 2020, 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, 2020, 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, 2020, the District adopted Governmental Accounting Standards Board Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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 December 3, 2020, 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 "Heartland CPAs and Advisors, PLLC". The signature is written in a cursive, flowing style.

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
December 3, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$12.2 million. Ending cash and investments were \$12.8 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 declined. Fund balance decreased by \$.9 million.
- The General Fund had \$23.1 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 \$23.8 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 - 56 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 \$5.9 million as of June 30, 2020.

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, 2020 and 2019  
(Table 1)**

Description	Governmental	Governmental	Business-type	Business-type	Total	Total
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and						
Other Assets	\$ 11,592,266	\$ 12,775,979	\$ 769,440	\$ 657,640	\$ 12,361,706	\$ 13,433,619
Capital Assets	33,146,836	32,866,979	94,799	128,053	33,241,635	32,995,032
Total Assets	44,739,102	45,642,958	864,239	785,693	45,603,341	46,428,651
Deferred Outflows	2,867,517	2,475,269	428,180	405,741	3,295,697	2,881,010
Long-term Debt	36,238,655	37,628,441	1,700,417	1,594,066	37,939,072	39,222,507
Other Liabilities	2,379,215	2,228,398	39,186	17,429	2,418,401	2,245,827
Total Liabilities	38,617,870	39,856,839	1,739,603	1,611,495	40,357,473	41,468,334
Deferred Inflows	2,420,519	1,245,436	201,416	166,707	2,621,935	1,412,143
<b>Net Position</b>						
Net investment in						
capital assets	10,923,329	9,655,514	94,799	128,053	11,018,128	9,783,567
Restricted	6,420,920	6,677,003	-	-	6,420,920	6,677,003
Unrestricted	(10,776,019)	(9,316,565)	(743,399)	(714,821)	(11,519,418)	(10,031,386)
<b>Total Net Position</b>	<b>\$ 6,568,230</b>	<b>\$ 7,015,952</b>	<b>\$ (648,600)</b>	<b>\$ (586,768)</b>	<b>\$ 5,919,630</b>	<b>\$ 6,429,184</b>

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

The District invested \$2.1 million in capital assets and paid principal of \$1 million on bonds.

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2020, net of Interfund transfers, were \$30.2 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6.3 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 \$31.4 million.
- General fund budget expenditures to actual varied significantly in Instruction and Other Expenses. This resulted from the District not budgeting on-behalf payments made by the State of Kentucky and not having to spend budgeted contingency funds.

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2020 and 2019.

Description	Governmental	Governmental	Business-type	Business-type	Total	Total
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 201,745	\$ 223,056	\$ 343,076	\$ 428,074	\$ 544,821	\$ 651,130
Operating grants and contributions	2,144,308	2,309,796	1,562,342	1,442,107	3,706,650	3,751,903
Capital grants and contributions	1,801,301	1,897,319	-	-	1,801,301	1,897,319
<b>General revenues:</b>						
Property taxes	5,844,584	5,726,619	-	-	5,844,584	5,726,619
Motor vehicle taxes	337,822	341,335	-	-	337,822	341,335
Utility taxes	763,406	763,966	-	-	763,406	763,966
Revenue in lieu of taxes	111,661	110,666	-	-	111,661	110,666
Gain on disposal of capital assets	-	8,249	-	-	-	8,249
Investment earnings	306,201	440,205	7,969	17,322	314,170	457,527
State and formula grants	7,594,914	7,330,135	-	-	7,594,914	7,330,135
Miscellaneous	68,406	140,984	-	-	68,406	140,984
<b>Total revenues</b>	<b>19,174,348</b>	<b>19,292,330</b>	<b>1,913,387</b>	<b>1,887,503</b>	<b>21,087,735</b>	<b>21,179,833</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	9,879,149	9,934,743	-	-	9,879,149	9,934,743
Student support	1,115,880	1,101,585	-	-	1,115,880	1,101,585
Instructional staff support	1,176,003	1,165,330	-	-	1,176,003	1,165,330
District administrative support	551,592	603,933	-	-	551,592	603,933
School administrative support	1,647,363	1,603,879	-	-	1,647,363	1,603,879
Business support	702,065	728,903	-	-	702,065	728,903
Plant operation and maintenance	2,777,396	2,927,104	-	-	2,777,396	2,927,104
Student transportation	816,816	827,512	-	-	816,816	827,512
Community service activities	163,981	167,673	-	-	163,981	167,673
Other	-	-	-	-	-	-
Interest costs	891,501	917,041	-	-	891,501	917,041
<b>Business-type Activities:</b>						
Food service	-	-	1,680,084	1,711,853	1,680,084	1,711,853
Daycare	-	-	195,459	203,511	195,459	203,511
<b>Total expenses</b>	<b>19,721,746</b>	<b>19,977,703</b>	<b>1,875,543</b>	<b>1,915,364</b>	<b>21,597,289</b>	<b>21,893,067</b>
Excess before transfers	(547,398)	(685,373)	37,844	(27,861)	(509,554)	(713,234)
Transfers	99,676	79,335	(99,676)	(79,335)	-	-
Decrease in net position	<b>\$ (447,722)</b>	<b>\$ (606,038)</b>	<b>\$ (61,832)</b>	<b>\$ (107,196)</b>	<b>\$ (509,554)</b>	<b>\$ (713,234)</b>

## Governmental Activities

Instruction comprises 50% of governmental program expenses. Support services expenses make up 45% of government expenses. The remaining expense for community services and interest accounts for the remaining 5% 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.

<b>(Table 3)</b>				
<b>Governmental Activities Total</b>				
Description	<b>Cost of Services</b>		<b>Net Cost of Services</b>	
	Total	Total	Net	Net
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 9,879,149	\$ 9,934,743	\$ 8,011,072	\$ 7,841,535
Support Services	8,787,115	8,958,246	8,472,365	8,667,686
Community Services	163,981	167,673	755	589
Facilities acquisition and construction	-	-	(1,241,658)	(1,292,669)
Interest costs	891,501	917,041	331,858	330,391
<b>Total expenses</b>	<b>\$ 19,721,746</b>	<b>\$ 19,977,703</b>	<b>\$ 15,574,392</b>	<b>\$ 15,547,532</b>

## Business-Type Activities

The business-type activities include the food service and daycare operations. These programs had total revenues of \$1,913,387 and expenses of \$1,875,543 for fiscal year 2020. Of the revenues, \$343,076 was charges for services, \$1,562,342 was from State and Federal grants and \$7,969 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 \$30.2 million and expenditures and other financing uses of \$31.4 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 \$16.8 million, with actual amounts of \$23.1 million. Budgeted expenditures of \$21.5 million compare with actual expenditures of \$23.8 million. The most significant fluctuation is for unbudgeted on-behalf payments.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2020 the School District had \$33.2 million invested in land, buildings, vehicles, equipment and construction in progress and \$33.1 million in governmental activities. Table 4 shows fiscal year 2020 and 2019 balances.

**(Table 4)**  
**Capital Assets at June 30, 2020 and 2019**  
**(Net of Depreciation)**

Description	Governmental	Governmental	Business-type	Business-type	Total	Total
	2020	2019	2020	2019	2020	2019
Land and land improvements	\$ 303,120	\$ 313,225	\$ -	\$ -	\$ 303,120	\$ 313,225
Buildings and improvements	30,544,659	31,836,362	-	2,042	30,544,659	31,838,404
Technology	-	(7,378)	-	-	-	(7,378)
Vehicles	399,746	259,757	-	-	399,746	259,757
General equipment	221,060	142,326	94,799	126,011	315,859	268,337
Total	31,468,585	32,544,292	94,799	128,053	31,563,384	32,672,345
Construction in progress	1,678,251	322,687	-	-	1,678,251	322,687
Total	<u>\$ 33,146,836</u>	<u>\$ 32,866,979</u>	<u>\$ 94,799</u>	<u>\$ 128,053</u>	<u>\$ 33,241,635</u>	<u>\$ 32,995,032</u>

Table 5 shows changes in capital assets for the years ended June 30, 2020 and 2019.

Description	Governmental	Governmental	Business-type	Business-type	Total	Total
	2020	2019	2020	2019	2020	2019
Beginning balance	\$ 32,866,979	\$ 34,365,861	\$ 128,053	\$ 169,329	\$ 32,995,032	\$ 34,535,190
Additions	2,271,970	567,052	-	-	2,271,970	567,052
Retirements	(120,000)	(102,495)	-	-	(120,000)	(102,495)
Depreciation	(1,872,113)	(1,963,439)	(33,254)	(41,276)	(1,905,367)	(2,004,715)
Ending balance	<u>\$ 33,146,836</u>	<u>\$ 32,866,979</u>	<u>\$ 94,799</u>	<u>\$ 128,053</u>	<u>\$ 33,241,635</u>	<u>\$ 32,995,032</u>

### Debt

At June 30, 2020, the School District had \$22.4 million in bonds outstanding, of this amount \$1.2 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$1.1 million is due within one year.

### District Challenges for the Future

Elizabethtown Independent School District's financial status has declined slightly 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 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.

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 2020-21 with an 12% 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 instructional initiatives.

The district's primary concern for the future are projected costs of employer pension contributions. For the 20-21 budget year employer contributions paid to CERS and TRS are projected to increase approximately \$97,000 on Salaries with continued projected increases to employer contributions 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.

## **BASIC FINANCIAL STATEMENTS**

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash, cash equivalents and investments	\$ 10,909,913	\$ 645,778	\$ 11,555,691
Inventory		39,898	39,898
Receivables:			
Taxes-current	31,681		31,681
Taxes-delinquent	20,475		20,475
Other receivables	39,861		39,861
Intergovernmental-Indirect Federal	363,336		363,336
Intergovernmental-Direct Federal	227,000	83,764	310,764
<b>Total Current Assets</b>	<b>11,592,266</b>	<b>769,440</b>	<b>12,361,706</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	1,946,046		1,946,046
Depreciable capital assets, net of accumulated depreciation	31,200,790	94,799	31,295,589
<b>Total Noncurrent Assets</b>	<b>33,146,836</b>	<b>94,799</b>	<b>33,241,635</b>
<b>Total Assets</b>	<b>44,739,102</b>	<b>864,239</b>	<b>45,603,341</b>
<b>Deferred Outflows of Resources</b>			
CERS Pension	1,515,534	303,578	1,819,112
CERS OPEB	622,046	124,602	746,648
TRS OPEB MIF	694,100		694,100
Deferred amount on debt refundings	35,837		35,837
<b>Total Deferred Outflows of Resources</b>	<b>2,867,517</b>	<b>428,180</b>	<b>3,295,697</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	396,709	39,186	435,895
Accrued payroll and related expenses	78,436		78,436
Unearned revenue	187,769		187,769
Bond obligations	1,060,000		1,060,000
Compensated absences	551,305		551,305
Interest payable	104,996		104,996
<b>Total Current Liabilities</b>	<b>2,379,215</b>	<b>39,186</b>	<b>2,418,401</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	21,199,344		21,199,344
Net pension liability - CERS	6,850,695	1,372,271	8,222,966
Net OPEB liability - CERS	1,638,177	328,146	1,966,323
Net OPEB liability - TRS MIF	5,617,000		5,617,000
Compensated absences	933,439		933,439
<b>Total Noncurrent Liabilities</b>	<b>36,238,655</b>	<b>1,700,417</b>	<b>37,939,072</b>
<b>Total Liabilities</b>	<b>38,617,870</b>	<b>1,739,603</b>	<b>40,357,473</b>
<b>Deferred Inflows of Resources</b>			
CERS Pension	376,423	75,401	451,824
CERS OPEB	629,096	126,015	755,111
TRS OPEB MIF	1,415,000		1,415,000
<b>Total Deferred Inflows of Resources</b>	<b>2,420,519</b>	<b>201,416</b>	<b>2,621,935</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	10,923,329	94,799	11,018,128
Restricted	6,420,920		6,420,920
Unrestricted	(10,776,019)	(743,399)	(11,519,418)
<b>Total Net Position</b>	<b>\$ 6,568,230</b>	<b>\$ (648,600)</b>	<b>\$ 5,919,630</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, 2020

	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	\$ 9,879,149	\$ 201,745	\$ 1,666,332	\$ -	\$ (8,011,072)	\$ -	\$ (8,011,072)
Support services:							
Student	1,115,880		49,119		(1,066,761)		(1,066,761)
Instruction staff	1,176,003		259,439		(916,564)		(916,564)
District administrative	551,592				(551,592)		(551,592)
School administrative	1,647,363				(1,647,363)		(1,647,363)
Business	702,065				(702,065)		(702,065)
Plant operation and maintenance	2,777,396				(2,777,396)		(2,777,396)
Student transportation	816,816		6,192		(810,624)		(810,624)
Community service activities	163,981		163,226		(755)		(755)
Facilities acquisition and construction				1,241,658	1,241,658		1,241,658
Interest on long-term debt	891,501			559,643	(331,858)		(331,858)
<b>Total Governmental Activities</b>	<b>19,721,746</b>	<b>201,745</b>	<b>2,144,308</b>	<b>1,801,301</b>	<b>(15,574,392)</b>	<b>-</b>	<b>(15,574,392)</b>
<b>Business-Type Activities:</b>							
Food service	1,680,084	227,840	1,545,375			93,131	93,131
Daycare	195,459	115,236	16,967			(63,256)	(63,256)
<b>Total Business-Type Activities</b>	<b>1,875,543</b>	<b>343,076</b>	<b>1,562,342</b>	<b>-</b>	<b>-</b>	<b>29,875</b>	<b>29,875</b>
<b>Total Primary Government</b>	<b>\$ 21,597,289</b>	<b>\$ 544,821</b>	<b>\$ 3,706,650</b>	<b>\$ 1,801,301</b>	<b>(15,574,392)</b>	<b>29,875</b>	<b>(15,544,517)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					5,844,584		5,844,584
Motor vehicle taxes					337,822		337,822
Utility taxes					763,406		763,406
Revenue in lieu of taxes					111,661		111,661
Investment earnings					306,201	7,969	314,170
State and formula grants					7,594,914		7,594,914
Miscellaneous					68,406		68,406
Transfers					99,676	(99,676)	-
Total general revenues and transfers					15,126,670	(91,707)	15,034,963
Change in net position					(447,722)	(61,832)	(509,554)
Net position - beginning					7,015,952	(586,768)	6,429,184
Net position - ending					<u>\$ 6,568,230</u>	<u>\$ (648,600)</u>	<u>\$ 5,919,630</u>

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

## **FUND FINANCIAL STATEMENTS**

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash, cash equivalents and investments	\$ 4,726,099	\$ 39,309	\$ 1,385,517	\$ 253,889	\$ 3,692,547	\$ 812,552	\$ 10,909,913
Receivables:							
Taxes - current	31,681						31,681
Taxes - delinquent	20,475						20,475
Other receivables	39,757	104					39,861
Intergovernmental - Indirect Federal		363,336					363,336
Intergovernmental - Direct Federal					227,000		227,000
<b>Total Assets</b>	<b>\$ 4,818,012</b>	<b>\$ 402,749</b>	<b>\$ 1,385,517</b>	<b>\$ 253,889</b>	<b>\$ 3,919,547</b>	<b>\$ 812,552</b>	<b>\$ 11,592,266</b>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities</b>							
Accounts payable	\$ 203,040	\$ 30,027	\$ -	\$ 157,279	\$ -	\$ 6,363	\$ 396,709
Accrued payroll and related expenses	78,436						78,436
Unearned revenue		187,769					187,769
<b>Total Liabilities</b>	<b>281,476</b>	<b>217,796</b>	<b>-</b>	<b>157,279</b>	<b>-</b>	<b>6,363</b>	<b>662,914</b>
<b>Fund Balances</b>							
Restricted	100,000	184,953	1,385,517	96,610	3,919,547	734,293	6,420,920
Committed	450,000					47,056	497,056
Assigned						24,840	24,840
Unassigned	3,986,536						3,986,536
<b>Total Fund Balances</b>	<b>4,536,536</b>	<b>184,953</b>	<b>1,385,517</b>	<b>96,610</b>	<b>3,919,547</b>	<b>806,189</b>	<b>10,929,352</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,818,012</b>	<b>\$ 402,749</b>	<b>\$ 1,385,517</b>	<b>\$ 253,889</b>	<b>\$ 3,919,547</b>	<b>\$ 812,552</b>	<b>\$ 11,592,266</b>

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, 2020

Total fund balance per fund financial statements	\$ 10,929,352
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.	33,146,836
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.	35,837
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	2,831,680
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.	(2,420,519)
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)	(22,259,344)
Interest payable	(104,996)
Compensated absences	(1,484,744)
Net pension liability - CERS	(6,850,695)
Net OPEB liability - CERS	(1,638,177)
Net OPEB liability - TRS MIF	(5,617,000)
Net position for governmental activities	<u><u>\$ 6,568,230</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, 2020

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
From local sources:							
Taxes:							
Property	\$ 5,049,274	\$ -	\$ 795,310	\$ -	\$ -	\$ -	\$ 5,844,584
Motor vehicle	333,049		4,773				337,822
Utilities	763,408						763,408
Revenue in lieu of taxes	111,661						111,661
Tuition and fees	201,745						201,745
Earnings on investments	112,341	2,395	16,391		167,831	7,243	306,201
Other local revenues	68,406	40,258				73,347	182,011
Intergovernmental - State	16,393,183	774,913	1,023,878		105,811	217,780	18,515,565
Intergovernmental - Indirect Federal	37,486	1,182,021					1,219,507
Intergovernmental - Direct Federal	6,286				453,832		460,118
<b>Total Revenues</b>	<b>23,076,839</b>	<b>1,999,587</b>	<b>1,840,352</b>	<b>-</b>	<b>727,474</b>	<b>298,370</b>	<b>27,942,622</b>
<b>Expenditures:</b>							
Instruction	15,493,299	1,554,630				54,383	17,102,312
Support services:							
Student	1,034,371	49,119					1,083,490
Instruction staff	887,869	259,439					1,147,308
District administrative	575,099						575,099
School administrative	1,574,946						1,574,946
Business	646,234						646,234
Plant operation and maintenance	2,685,894						2,685,894
Student transportation	924,103	6,192					930,295
Facilities acquisition and construction				1,465,103			1,465,103
Community service activities		163,226					163,226
Debt service:							
Principal					1,030,000		1,030,000
Interest					855,492		855,492
<b>Total Expenditures</b>	<b>23,821,815</b>	<b>2,032,606</b>	<b>-</b>	<b>1,465,103</b>	<b>1,885,492</b>	<b>54,383</b>	<b>29,259,399</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(744,976)</b>	<b>(33,019)</b>	<b>1,840,352</b>	<b>(1,465,103)</b>	<b>(1,158,018)</b>	<b>243,987</b>	<b>(1,316,777)</b>
<b>Other Financing Sources (Uses):</b>							
Insurance proceeds	29,995						29,995
Transfers in	282,777	45,419			1,898,863		2,227,059
Transfers out	(517,783)		(1,609,600)				(2,127,383)
<b>Total Other Financing Sources (Uses)</b>	<b>(205,011)</b>	<b>45,419</b>	<b>(1,609,600)</b>	<b>-</b>	<b>1,898,863</b>	<b>-</b>	<b>129,671</b>
<b>Net Change in Fund Balances</b>	<b>(949,987)</b>	<b>12,400</b>	<b>230,752</b>	<b>(1,465,103)</b>	<b>740,845</b>	<b>243,987</b>	<b>(1,187,106)</b>
<b>Fund Balance, July 1, 2019</b>	<b>5,486,523</b>	<b>172,553</b>	<b>1,154,765</b>	<b>1,561,713</b>	<b>3,178,702</b>	<b>562,202</b>	<b>12,116,458</b>
<b>Fund Balance, June 30, 2020</b>	<b>\$ 4,536,536</b>	<b>\$ 184,953</b>	<b>\$ 1,385,517</b>	<b>\$ 96,610</b>	<b>\$ 3,919,547</b>	<b>\$ 806,189</b>	<b>\$ 10,929,352</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, 2020

Net change in total fund balances per fund financial statements	\$ (1,187,106)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	279,857
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.	1,030,000
The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	(569,605)
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>(868)</u>
Change in net position of governmental activities	<u><u>\$ (447,722)</u></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, 2020

	Food Service Fund	Daycare Fund	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 626,067	\$ 19,711	\$ 645,778
Intergovernmental - Indirect Federal	83,764		83,764
Inventory	39,898		39,898
<b>Total Current Assets</b>	<b>749,729</b>	<b>19,711</b>	<b>769,440</b>
<b><u>Noncurrent Assets</u></b>			
Depreciable capital assets, net of accumulated depreciation	94,799		94,799
<b>Total Noncurrent Assets</b>	<b>94,799</b>	<b>-</b>	<b>94,799</b>
<b>Total Assets</b>	<b>844,528</b>	<b>19,711</b>	<b>864,239</b>
<b>Deferred Outflows of Resources</b>			
CERS Pension	247,146	56,432	303,578
CERS OPEB	101,440	23,162	124,602
<b>Total Deferred Outflows of Resources</b>	<b>348,586</b>	<b>79,594</b>	<b>428,180</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	39,186		39,186
<b>Total Current Liabilities</b>	<b>39,186</b>	<b>-</b>	<b>39,186</b>
<b><u>Noncurrent Liabilities</u></b>			
Net pension liability - CERS	1,117,181	255,090	1,372,271
Net OPEB liability - CERS	267,147	60,999	328,146
<b>Total Noncurrent Liabilities</b>	<b>1,384,328</b>	<b>316,089</b>	<b>1,700,417</b>
<b>Total Liabilities</b>	<b>1,423,514</b>	<b>316,089</b>	<b>1,739,603</b>
<b>Deferred Inflows of Resources</b>			
CERS Pension	61,385	14,016	75,401
CERS OPEB	102,590	23,425	126,015
<b>Total Deferred Inflows of Resources</b>	<b>163,975</b>	<b>37,441</b>	<b>201,416</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	94,799		94,799
Unrestricted	(489,174)	(254,225)	(743,399)
<b>Total Net Position</b>	<b>\$ (394,375)</b>	<b>\$ (254,225)</b>	<b>\$ (648,600)</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, 2020

	Food Service Fund	Daycare Fund	Total
<b>Operating Revenues:</b>			
Lunchroom sales	\$ 223,340	\$ -	\$ 223,340
Tuition and fees	4,500	115,236	119,736
<b>Total Operating Revenues</b>	227,840	115,236	343,076
<b>Operating Expenses:</b>			
Salaries and wages	764,339	193,311	957,650
Materials and supplies	850,534	1,705	852,239
Depreciation	33,254		33,254
Other operating expenses	31,957	443	32,400
<b>Total Operating Expenses</b>	1,680,084	195,459	1,875,543
Operating loss	(1,452,244)	(80,223)	(1,532,467)
<b>Non-Operating Revenues (Expenses):</b>			
Federal grants	1,342,232		1,342,232
Donated commodities	108,503		108,503
State on-behalf payments	81,655	16,967	98,622
State grants	12,985		12,985
Interest income	7,969		7,969
<b>Total Non-Operating Revenues (Expenses) before Transfers</b>	1,553,344	16,967	1,570,311
Transfers out	(99,676)		(99,676)
Change in net position	1,424	(63,256)	(61,832)
<b>Net Position, July 1, 2019</b>	(395,799)	(190,969)	(586,768)
<b>Net Position June 30, 2020</b>	<u>\$ (394,375)</u>	<u>\$ (254,225)</u>	<u>\$ (648,600)</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, 2020

	Food Service Fund	Daycare Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 223,340	\$ -	\$ 223,340
Other activities	4,500		4,500
Tuition and fees		115,236	115,236
Cash paid to/for:			
Employees	(595,162)	(145,245)	(740,407)
Supplies	(727,683)	(1,957)	(729,640)
Other activities	(31,957)	(443)	(32,400)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,126,962)</b>	<b>(32,409)</b>	<b>(1,159,371)</b>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	1,311,724		1,311,724
State grants	12,985		12,985
Transfers out	(99,676)		(99,676)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>1,225,033</b>	<b>-</b>	<b>1,225,033</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	7,969		7,969
<b>Net Cash Provided by Investing Activities</b>	<b>7,969</b>	<b>-</b>	<b>7,969</b>
Net increase in cash and cash equivalents	106,040	(32,409)	73,631
<b>Balances, beginning of year</b>	<b>520,027</b>	<b>52,120</b>	<b>572,147</b>
<b>Balances, end of year</b>	<b>\$ 626,067</b>	<b>\$ 19,711</b>	<b>\$ 645,778</b>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,452,244)	\$ (80,223)	\$ (1,532,467)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	33,254		33,254
State on-behalf payments	81,655	16,967	98,622
Donated commodities	108,503		108,503
GASB 68 pension expense	89,062	28,753	117,815
GASB 75 OPEB expense	(1,540)	2,346	806
Change in assets and liabilities:			
Inventory	(7,661)		(7,661)
Accounts payable	22,009	(252)	21,757
<b>Net cash provided (used) by operating activities</b>	<b>\$ (1,126,962)</b>	<b>\$ (32,409)</b>	<b>\$ (1,159,371)</b>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 108,503	\$ -	\$ 108,503
State on-behalf payments	\$ 81,655	\$ 16,967	\$ 98,622
CERS pension	\$ 89,062	\$ 28,753	\$ 117,815
CERS OPEB	\$ (1,540)	\$ 2,346	\$ 806

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, 2020

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 209,286	\$ 416,060
Receivables	12,490	1,250
<b>Total Assets</b>	<u>221,776</u>	<u>417,310</u>
<b>Liabilities</b>		
Accounts payable		5,429
Due to student groups		411,881
<b>Total Liabilities</b>	<u>-</u>	<u>417,310</u>
<b>Net Position Held in Trust</b>	<u><u>\$ 221,776</u></u>	<u><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, 2020

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions	\$ 40,864
Net interest and investment gains	1,910
	<hr/> 42,774
<b>Deductions</b>	
Scholarships paid	(24,000)
	<hr/>
Change in net position	18,774
<b>Net Position, July 1, 2019</b>	<hr/> 203,002
<b>Net Position, June 30, 2020</b>	<hr/> <hr/> \$ 221,776

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, 2020

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. REPORTING ENTITY**

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

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

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

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

###### **Government-wide Financial Statements**

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### 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, 2020

#### 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. This is a major fund.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law. This is a major fund.

#### Proprietary Funds

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

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### 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, 2020

#### **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, 2020

#### 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, 2020

#### **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, 2020

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

##### M. 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 May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions below.

###### Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. 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, but was delayed by one year with the issuance of GASB 95. 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, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. 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, 2020

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

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

#### 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, 2020, to finance operations were \$.834 per \$100 valuation for real property, \$.834 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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### 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, 2020, \$8,878,086 of the District's bank balance of \$9,128,086 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, 2020, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	\$ 14,240	Not Rated	\$ 14,240
Federal Home Loan Mortgage Corporation Discount Note	3,638,488	AAA	3,638,488
Total Investments	<u>\$3,652,727</u>		<u>\$3,652,727</u>

(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;
- 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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

**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. The District's securities are held in the District's name. 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	\$ 45,419
General	Debt Service	Debt Service	472,364
FSPK	Debt Service	Debt Service	1,426,499
FSPK	General	Cap Funds Request	183,101
Food Service	General	Indirect Costs	99,676

##### Government Wide Financial Statements

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 99,676

# ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Governmental Activities	July 1, 2019	Additions	Reclassifications/ Deductions	June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 267,795	\$ -	\$ -	\$ 267,795
Construction in progress	322,687	1,475,564	(120,000)	1,678,251
Total Capital Assets Not Being Depreciated	590,482	1,475,564	(120,000)	1,946,046
Capital Assets Being Depreciated:				
Land improvements	568,233			568,233
Buildings and improvements	53,543,556	466,114		54,009,670
Technology equipment	1,875,827			1,875,827
Vehicles	1,337,003	184,978		1,521,981
General equipment	1,009,079	145,314		1,154,393
Total Capital Assets Being Depreciated at Historical Cost	58,333,698	796,406	-	59,130,104
Accumulated depreciation:				
Land improvements	522,803	10,105		532,908
Buildings and improvements	21,707,194	1,735,256	22,561	23,465,011
Technology equipment	1,883,205	28,678	(36,056)	1,875,827
Vehicles	1,077,246	44,989		1,122,235
General equipment	866,753	53,085	13,495	933,333
Total accumulated depreciation	26,057,201	1,872,113	-	27,929,314
Total Other Capital Assets, net	32,276,497	(1,075,707)	-	31,200,790
Governmental Activities Capital Assets - Net	\$ 32,866,979	\$ 399,857	\$ (120,000)	\$ 33,146,836

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 1,488,261
Student support	218
Instructional staff	908
District administration	268
School administration	35
Business support	238
Plant	382,185
	<u>\$ 1,872,113</u>

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

June 30, 2020

**NOTE 5 - CAPITAL ASSETS – CONTINUED**

Business-Type Activities	July 1, 2019	Additions	Deductions	June 30, 2020
Buildings and improvements	\$ 339,450	\$ -	\$ -	\$ 339,450
Food service equipment	998,266			998,266
Totals at historical cost	1,337,716	-	-	1,337,716
Accumulated depreciation:				
Buildings and improvements	337,408	2,042		339,450
Food service equipment	872,255	31,212		903,467
Total accumulated depreciation	1,209,663	33,254	-	1,242,917
Business-Type Activities Capital Assets - Net	\$ 128,053	\$ (33,254)	\$ -	\$ 94,799

**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, 2020, is as follows:

Description	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within 1 Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 23,420,000		\$ (1,030,000)	\$ 22,390,000	\$ 1,060,000
Less Discount/premium	(149,217)		18,561	(130,656)	-
Total Bonds Payable	23,270,783	-	(1,011,439)	22,259,344	1,060,000
Other Liabilities:					
Compensated absences	1,519,885	46,455	(81,596)	1,484,744	551,305
Total Governmental Activities Long-Term Liabilities	\$ 24,790,668	\$ 46,455	\$ (1,093,035)	\$ 23,744,088	\$ 1,611,305

The debt service fund is primarily responsible for paying the bond obligations through funding from the general, SEEK 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, 2020

#### 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
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, 2020, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Portion	U.S. Govt Portion	District's Portion
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	890,000	753,439	34,049	482,109	1,127,281
2025	700,000	736,876	-	482,109	954,767
2026-2030	14,540,000	2,574,719	1,004,080	1,687,382	14,423,257
2031-2035	2,815,000	165,034			2,980,034
	<u>\$ 22,390,000</u>	<u>\$ 6,655,826</u>	<u>\$ 1,167,297</u>	<u>\$ 4,097,927</u>	<u>\$ 23,780,602</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### 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, 2020

#### 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, 2020, 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, 2020. 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, 2020

#### 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, 2020, 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 \$48,934,109.

The net pension liability was measured as of June 30, 2019, 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, 2019, the District's proportion was .4092 percent.

For the year ended June 30, 2020, the District recognized pension expense of negative \$5,115,709 and revenue of negative \$5,115,709 (\$3,682,560 in the governmental funds and negative \$8,798,269 in government-wide activities) for support provided by the State. At June 30, 2020, 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, 2019 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, 2019 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, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Other	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. 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. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments 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 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 pension liability (in thousands)	\$ 17,269,491	\$ 14,294,885	\$ 10,373,915

#### 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, 2020

#### **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, 2020, 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, 2020, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$599,423.

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

At June 30, 2020, the District reported a liability of \$8,222,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the District's proportion was 0.116919 percent, which was a decrease of .003206 percent from its proportion measured as of June 30, 2018.

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

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

For the year ended June 30, 2020, the District recognized pension expense of \$1,362,912. At June 30, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 209,957	\$ 34,744
Changes in actuarial assumptions	832,257	
Difference between projected and actual investment earnings	157,849	290,406
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,626	126,674
Contributions paid to CERS subsequent to the measurement date	599,423	
	<u>\$ 1,819,112</u>	<u>\$ 451,824</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$599,423 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2021	\$ 526,624
2022	167,014
2023	64,822
2024	9,405
	<u>\$ 767,865</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.8%	4.30%
Non-U.S. Equity	18.8%	4.80%
Private Equity	10.0%	6.65%
Specialty Credit/High Yield	15.0%	2.60%
Core Bonds	13.5%	1.35%
Cash	1.0%	20.00%
Real Estate	5.0%	4.85%
Opportunistic	3.0%	2.97%
Real Return	15.0%	4.10%
	<u>100%</u>	

#### 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 25 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, 2020

#### 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:

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 10,284,597	\$ 8,222,966	\$ 6,504,615

##### 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, 2020

#### 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, 2020 the District reported a liability of \$5,617,000 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, 2019, 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, 2019, the District's proportion was .346881 percent, which was an increase of .001275 percent from its proportion measured as of June 30, 2018.

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:

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

June 30, 2020

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

District's proportionate share of the net OPEB liability	\$ 5,617,000
State proportionate share of the net OPEB liability associated with the District	<u>4,536,000</u>
Total	<u>\$ 10,153,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$224,000 and revenue of \$269,856 for support provided by the Commonwealth. At June 30, 2020, 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
Changes in assumptions	\$ 149,000	\$ -
Differences between expected and actual economic experience		1,359,000
Difference between projected and actual investment earnings	24,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,000	
Contributions paid to TRS subsequent to the measurement date	328,100	56,000
	<u>\$ 694,100</u>	<u>\$ 1,415,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$328,100 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, 2021. 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
2021	\$ (198,000)
2022	(198,000)
2023	(186,000)
2024	(188,000)
2025	(169,000)
Thereafter	<u>(110,000)</u>
	<u>\$ (1,049,000)</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

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

Actuarial assumptions – The total OPEB liability in the June 30, 2019 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	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
	<u>100.0%</u>	

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### 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	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 6,654,000	\$ 5,617,000	\$ 4,748,000

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	\$ 4,572,000	\$ 5,617,000	\$ 6,901,000

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

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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

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

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.

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, 2020, 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 \$105,000.

For the year ended June 30, 2020, the District recognized OPEB expense of \$4,455 and revenue of \$4,455 for support provided by the Commonwealth. At June 30, 2020, 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, 2018 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	3.50%
Discount Rate	7.50%
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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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, 2020

#### 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. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other	6.0%	3.2%
Cash (LIBOR)	2.0%	0.9%
	<u>100%</u>	

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 OPEB 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:

	1% Decrease	Current Discount Rate	1% Increase
System's net OPEB liability (in thousands)	\$ 45,921	\$ 31,072	\$ 18,868

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, 2020

#### 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, 2020, 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, 2020, was 4.76 percent of annual creditable compensation. Contributions to the OPEB plan from the District were \$147,837.

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

At June 30, 2020, the District reported a liability of \$1,966,323 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the District's proportion was 0.116907 percent, which was a decrease of .0032123 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$205,259. At June 30, 2020, 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:

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

June 30, 2020

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 593,285
Changes in actuarial assumptions	581,853	3,891
Difference between projected and actual investment earnings	12,952	100,287
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,006	57,648
Contributions paid to CERS subsequent to the measurement date	147,837	
	<u>\$ 746,648</u>	<u>\$ 755,111</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$147,837 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, 2021. 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		
2021	\$	(25,036)
2022		(25,036)
2023		2,731
2024		(50,439)
2025		(48,925)
Thereafter		<u>(9,595)</u>
	\$	<u>(156,300)</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

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

Actuarial assumptions – The total OPEB liability in the June 30, 2019 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	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.68%

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

# ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.8%	4.30%
Non-U.S. Equity	18.8%	4.80%
Private Equity	10.0%	6.65%
Specialty Credit/High Yield	15.0%	2.60%
Core Bonds	13.5%	1.35%
Cash	1.0%	20.00%
Real Estate	5.0%	4.85%
Opportunistic	3.0%	2.97%
Real Return	15.0%	4.10%
	<u>100%</u>	

The projection of cash flows used to determine the discount rate of 5.68% 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 3.13%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. 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 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

Description	1% Decrease (4.68%)	Current Discount Rate (5.68)	1% Increase (6.68%)
District's proportionate share of the net OPEB liability	\$ 2,634,064	\$ 1,966,323	\$ 1,416,149

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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,462,365	\$ 1,966,323	\$ 2,577,433

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, 2020, 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, 2020, the District had \$100,000 restricted for sick leave in the general fund, \$184,953 restricted for grants in the special revenue fund, \$734,293 restricted for capital projects in the SEEK Capital Outlay Fund, \$1,385,517 restricted for capital projects in the FSPK Fund, \$96,610 restricted for capital projects in the Construction Fund, and \$3,919,547 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 \$450,000 committed for future construction in the General Fund and \$47,056 committed for school funds in the District Activity Fund at June 30, 2020.

## **ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

#### **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 \$24,840 of assigned fund balances for encumbrances in the District Activity Fund at June 30, 2020.

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.

The District has commitments for ongoing construction projects at June 30, 2020.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 12 – DEFICIT OPERATING BALANCES

The Food Service Fund and Daycare Fund had deficit net position at June 30, 2020 in the amount of \$394,375 and \$254,225. 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	\$ 949,987
Construction Fund	1,465,103
Daycare Fund	63,256

#### 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, 2020 were as follows:

Description	Amount
Health	\$ 2,465,794
Life	4,041
Admin	33,443
HRA	175,712
TRS Pension	3,682,560
TRS OPEB	274,311
Technology	80,322
Debt Service	105,811
Less: Federal Reimbursement	(115,888)
Total on-behalf	<u>\$ 6,706,106</u>

Recorded as follows:

General Fund	\$ 6,501,673
Food Service Fund	81,655
Daycare Fund	16,967
Debt Service Fund	<u>105,811</u>
	<u>\$ 6,706,106</u>

#### 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 year 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

### GENERAL FUND

Year Ended June 30, 2020

	Original	Final	Actual
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 4,876,316	\$ 5,092,000	\$ 5,049,274
Motor vehicle	242,091	284,832	333,049
Utilities	810,000	800,000	763,408
Revenue in lieu of taxes	108,200	108,200	111,661
Tuition and fees	210,000	210,000	201,745
Earnings on investments	115,000	160,000	112,341
Other local revenues	5,000	47,000	68,406
Intergovernmental - State	10,103,045	10,039,462	16,393,183
Intergovernmental - Indirect Federal	31,000	33,000	37,486
Intergovernmental - Direct Federal	10,000	10,000	6,286
<b>Total Revenues</b>	<b>16,510,652</b>	<b>16,784,494</b>	<b>23,076,839</b>
<b>Expenditures:</b>			
Instruction	10,573,504	10,784,255	15,493,299
Support services:			
Student	862,444	862,444	1,034,371
Instruction staff	655,829	664,059	887,869
District administrative	553,129	558,230	575,099
School administrative	1,120,266	1,117,672	1,574,946
Business	650,625	651,292	646,234
Plant operation and maintenance	2,486,034	2,866,080	2,685,894
Student transportation	587,600	782,716	924,103
Other non-instruction	3,539,666	3,202,905	
<b>Total Expenditures</b>	<b>21,029,097</b>	<b>21,489,653</b>	<b>23,821,815</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(4,518,445)</b>	<b>(4,705,159)</b>	<b>(744,976)</b>
<b>Other Financing Sources (Uses):</b>			
Insurance proceeds			29,995
Transfers in	69,000	69,000	282,777
Transfers out	(300,364)	(300,364)	(517,783)
<b>Total Other Financing Sources (Uses)</b>	<b>(231,364)</b>	<b>(231,364)</b>	<b>(205,011)</b>
<b>Net Change in Fund Balance</b>	<b>(4,749,809)</b>	<b>(4,936,523)</b>	<b>(949,987)</b>
<b>Fund Balance, July 1, 2019</b>	<b>4,749,809</b>	<b>4,936,523</b>	<b>5,486,523</b>
<b>Fund Balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,536,536</b>

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 \$6,501,673.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL****SPECIAL REVENUE FUND**

Year Ended June 30, 2020

	Original	Final	Actual
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ -	\$ 2,395
Other local revenues	10,456	17,155	40,258
Intergovernmental - State	570,221	766,003	774,913
Intergovernmental - Indirect Federal	1,184,003	1,858,578	1,182,021
<b>Total Revenues</b>	<b>1,764,680</b>	<b>2,641,736</b>	<b>1,999,587</b>
<b>Expenditures:</b>			
Instruction	1,522,253	2,206,081	1,554,630
Support services:			
Student	36,790	57,345	49,119
Instruction staff	253,722	270,623	259,439
Plant operation and maintenance			
Student transportation	6,915	5,989	6,192
Community service activities		163,841	163,226
<b>Total Expenditures</b>	<b>1,819,680</b>	<b>2,703,879</b>	<b>2,032,606</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(55,000)</b>	<b>(62,143)</b>	<b>(33,019)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	55,000	45,552	45,419
<b>Total Other Financing Sources (Uses)</b>	<b>55,000</b>	<b>45,552</b>	<b>45,419</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(16,591)</b>	<b>12,400</b>
<b>Fund Balance, July 1, 2019</b>	<b>-</b>	<b>16,591</b>	<b>172,553</b>
<b>Fund Balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 184,953</b>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net pension liability	0.116919%	0.120125%	0.119186%
Proportionate share of the net pension liability	\$ 8,222,966	\$ 7,315,980	\$ 6,976,324
Covered payroll	\$ 3,004,762	\$ 3,028,820	\$ 2,939,449
Proportionate share of the net pension liability as percentage of covered payroll	273.7%	241.5%	237.3%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%

	2017	2016	2015
Proportion of the net pension liability	0.122055%	0.121655%	0.125763%
Proportionate share of the net pension liability	\$ 6,009,501	\$ 5,230,281	\$ 4,080,000
Covered payroll	\$ 2,968,799	\$ 2,858,115	\$ 3,084,414
Proportionate share of the net pension liability as percentage of covered payroll	202.4%	183.0%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.116907%	0.120120%	0.119186%
Proportionate share of the net OPEB liability	\$ 1,966,323	\$ 2,132,707	\$ 2,396,047
Covered payroll	\$ 3,004,762	\$ 3,028,820	\$ 2,939,449
Proportionate share of the net OPEB liability as percentage of covered payroll	65.44%	70.41%	81.51%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net pension liability	0.358600%	0.358400%	0.354600%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	48,934,109	46,923,403	95,684,588
	<u>\$ 48,934,109</u>	<u>\$ 46,923,403</u>	<u>\$ 95,684,588</u>
Total			
Covered payroll	\$ 10,922,944	\$ 11,146,326	\$ 10,898,532
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%
	2017	2016	2015
Proportion of the net pension liability	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	104,912,414	81,324,585	68,101,554
	<u>\$ 104,912,414</u>	<u>\$ 81,324,585</u>	<u>\$ 68,101,554</u>
Total			
Covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only six 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, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.346881%	0.345606%	34.135700%
District's proportionate share of the net OPEB liability	\$ 5,617,000	\$ 6,441,000	\$ 6,699,000
State proportionate share of the net OPEB liability associated with the District	4,536,000	5,551,000	5,473,000
Total	<u>\$ 10,153,000</u>	<u>\$ 11,992,000</u>	<u>\$ 12,172,000</u>
Covered payroll	\$ 10,922,944	\$ 11,146,326	\$ 11,087,834
District's proportionate share of the net OPEB liability as percentage of covered payroll	51.42%	57.79%	60.42%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.339091%	0.337763%	0.333604%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	105,000	95,000	73,000
Total	\$ 105,000	\$ 95,000	\$ 73,000
Covered payroll	\$ 10,922,944	\$ 11,146,326	\$ 11,087,834
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO CERS PENSION**

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually require contribution (actuarially determined)	\$ 599,423	\$ 487,372	\$ 438,573
Contribution in relation to the actuarially determined contributions	599,423	487,372	438,573
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,105,819	\$ 3,004,762	\$ 3,028,820
Contributions as a percentage of covered employee payroll	19.30%	16.22%	14.48%

  

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

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO TRS PENSION**

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,898,532	\$ 10,922,944	\$ 11,063,121
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	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>
Covered payroll	\$ 10,898,532	\$ 10,787,947	\$ 10,465,027
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

## SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 147,837	\$ 158,050	\$ 142,355
Contribution in relation to the actuarially determined contributions	147,837	158,050	142,355
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,105,819	\$ 3,004,762	\$ 3,028,820
Contributions as a percentage of covered employee payroll	4.76%	5.26%	4.70%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - MEDICAL INSURANCE FUND**

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 328,100	\$ 327,700	\$ 332,000
Contribution in relation to the actuarially determined contributions	328,100	327,700	332,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 10,898,532	\$ 10,922,944	\$ 11,063,121
Contributions as a percentage of covered employee payroll	3.00%	3.00%	3.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS TO TRS OPEB - LIFE INSURANCE FUND**

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,898,532	\$ 10,922,944	\$ 11,063,121
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown

## **ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020**

#### **CERS PENSION**

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – 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.

2015 and 2016 – No changes.

2017 – 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%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

#### **CERS OPEB**

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – 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%.

2018 – No changes

2019 – The discount rate was changed from 5.85% to 5.68% . Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

## **ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020**

#### **TRS PENSION**

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – 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. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – The Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2017 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2018 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2019 – No changes

#### **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 – No changes

2019 and 2020 – No changes for MIF or LIF

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – No changes for MIF or LIF

2018 – MIF updated the health care trend rates. No changes for the LIF

2019 – No changes for MIF or LIF

## **SUPPLEMENTARY INFORMATION**

# ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 78,259	\$ 734,293	\$ 812,552
<b>Total Assets</b>	<u>\$ 78,259</u>	<u>\$ 734,293</u>	<u>\$ 812,552</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities</b>			
Accounts payable	\$ 6,363	\$ -	\$ 6,363
<b>Total Liabilities</b>	<u>6,363</u>	<u>-</u>	<u>6,363</u>
<b>Fund Balances</b>			
Restricted		734,293	734,293
Committed	47,056		47,056
Assigned	<u>24,840</u>		<u>24,840</u>
<b>Total Fund Balances</b>	<u>71,896</u>	<u>734,293</u>	<u>806,189</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 78,259</u>	<u>\$ 734,293</u>	<u>\$ 812,552</u>

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

Year Ended June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
From local sources:			
Other local revenue	\$ 73,347		\$ 73,347
Earnings on investments		7,243	7,243
Intergovernmental - State		217,780	217,780
<b>Total Revenues</b>	73,347	225,023	298,370
<b>Expenditures</b>			
Instruction	54,383		54,383
<b>Total Expenditures</b>	54,383	-	54,383
<b>Excess (Deficit) of Revenues over Expenditures</b>	18,964	225,023	243,987
<b>Other Financing Sources (Uses)</b>			
Transfers out			-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Net Change in Fund Balances</b>	18,964	225,023	243,987
<b>Fund balance, July 1, 2019</b>	52,932	509,270	562,202
<b>Fund balance, June 30, 20120</b>	<u>\$ 71,896</u>	<u>\$ 734,293</u>	<u>\$ 806,189</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2020

	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	\$ 1,507	\$ 12,208	\$ 9,943	\$ 96,326	\$ 296,076	\$ 416,060
Receivables			1,250			1,250
<b>Total Assets</b>	<b>\$ 1,507</b>	<b>\$ 12,208</b>	<b>\$ 11,193</b>	<b>\$ 96,326</b>	<b>\$ 296,076</b>	<b>\$ 417,310</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 8	\$ -	\$ 5,421	\$ 5,429
Due to student groups	1,507	12,208	11,185	96,326	290,655	411,881
<b>Total Liabilities</b>	<b>\$ 1,507</b>	<b>\$ 12,208</b>	<b>\$ 11,193</b>	<b>\$ 96,326</b>	<b>\$ 296,076</b>	<b>\$ 417,310</b>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES****AGENCY FUNDS****JUNE 30, 2020**

SCHOOL	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Panther Academy	\$ 1,327	\$ 2,440	\$ 2,260	\$ 1,507	\$ -	\$ -	\$ 1,507
Helmwood Heights Elementary	17,099	16,384	21,275	12,208	-	-	12,208
Morningside Elementary	15,550	8,276	13,883	9,943	1,250	8	11,185
T.K. Stone Middle School	81,784	125,904	111,362	96,326	-	-	96,326
Elizabethtown High	236,959	312,310	253,193	296,076	-	5,421	290,655
	<u>\$ 352,719</u>	<u>\$ 465,314</u>	<u>\$ 401,973</u>	<u>\$ 416,060</u>	<u>\$ 1,250</u>	<u>\$ 5,429</u>	<u>\$ 411,881</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**
**ELIZABETHTOWN HIGH SCHOOL**
**YEAR ENDED JUNE 30, 2020**

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Academic Team	\$ 244	\$ 886	\$ 789	\$ 341	\$ -	\$ -	\$ 341
Adult Vending	1,471	805	1,250	1,026	-	100	926
Agendas	5	-	-	5	-	-	5
Angels in the Outfield	-	-	-	-	-	-	-
AP Chemistry	-	-	-	-	-	-	-
AP Social Studies	529	506	543	492	-	-	492
APEX	275	250	-	525	-	-	525
Archery	12,422	6,052	7,245	11,229	-	-	11,229
Art Club	151	-	-	151	-	-	151
Athletic Concessions	4,676	10,940	10,463	5,153	-	-	5,153
Athletic Fees	26,978	29,505	26,600	29,883	-	-	29,883
Athletic Gate	41,561	58,162	46,600	53,123	-	-	53,123
Athletic Post Season	16,301	22,754	21,159	17,896	-	-	17,896
Athletics	5,131	4,057	7,638	1,550	-	750	800
Band	1,473	10,766	5,658	6,581	-	-	6,581
Baseball	1,371	6,190	5,144	2,417	-	-	2,417
Baseball District/Regional	1,710	-	1,711	(1)	-	-	(1)
Baseball Camp	3,360	-	-	3,360	-	-	3,360
Belle	10,630	11,700	11,031	11,299	-	-	11,299
Beta Club	136	26,950	22,695	4,391	-	-	4,391
Beta Essay	-	-	-	-	-	-	-
Beta Club Service Proj	-	-	-	-	-	-	-
Beta-Service Proj #2	-	-	-	-	-	-	-
Bowling	1,058	2,282	3,007	333	-	-	333
Boy's Basketball	634	15,246	9,981	5,899	-	-	5,899
Boy's Basketball Camp	1,592	500	199	1,893	-	-	1,893
Boy's Basketball District	-	-	-	-	-	-	-
Boy's Soccer	607	10,096	8,061	2,642	-	-	2,642
Boy's Soccer Camp	2,796	-	2,796	-	-	-	-
Boys Soccer Tournament	-	-	-	-	-	-	-
Boys Soccer Service Proj	-	-	-	-	-	-	-
Broadcasting	-	-	-	-	-	-	-
Building Rental	895	4,345	4,761	479	-	-	479
Business Education	4,707	1,275	1,783	4,199	-	-	4,199
Cheerleading Clinic	-	-	-	-	-	-	-
Community Donations	2,477	-	-	2,477	-	-	2,477
Cheerleading	1,878	1,637	868	2,647	-	-	2,647
Cheer Region Tournament	-	150	-	150	-	-	150
Child Services	1	189	64	126	-	-	126
Chorus	947	-	251	696	-	-	696
Chorus-Piano Restoration	-	-	-	-	-	-	-
Chromebook	906	895	630	1,171	-	-	1,171
Class of 1960 Scholarship	579	60	-	639	-	-	639
Class of 2005 Scholarship	1,000	-	-	1,000	-	-	1,000
Community Donations	336	369	-	705	-	-	705
Computer Science	300	200	175	325	-	-	325
Concessions/Athletic	-	-	-	-	-	-	-
Cross Country	1,162	1,446	1,075	1,533	-	-	1,533
Dow Corning	-	-	-	-	-	-	-
Drama	938	1,387	1,627	698	-	-	698
Earth Club	398	-	-	398	-	-	398
EEF -Etown Ed Foundation	-	-	-	-	-	-	-
Engineering	66	-	-	66	-	-	66
E-Sports	-	2,027	1,262	765	-	505	260
English	925	665	500	1,090	-	-	1,090
English GE	-	-	-	-	-	-	-
English-Poetry	759	500	-	1,259	-	-	1,259
FCA	1,097	-	97	1,000	-	-	1,000
FCA - Service Project	-	166	166	-	-	-	-
Fishing	270	3,550	2,205	1,615	-	-	1,615
Football	1,286	20,300	17,006	4,580	-	3,966	614
Football-District Tourna	-	5,023	5,023	-	-	-	-
Foreign Language Club	-	-	-	-	-	-	-
Foreign Language	-	-	-	-	-	-	-
Freshman Class	133	-	-	133	-	-	133

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**
**ELIZABETHTOWN HIGH SCHOOL - CONCLUDED**
**YEAR ENDED JUNE 30, 2020**

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Fund for the Arts	52	-	-	52	-	-	52
FBLA	9	1,400	959	450	-	-	450
Gifted and Talented	255	-	-	255	-	-	255
Girl's Basketball	-	12,168	10,647	1,521	-	100	1,421
Girl's Basketball Camp	1,131	2,155	1,055	2,231	-	-	2,231
Girl's Basketball Dist	-	-	-	-	-	-	-
Girl's Soccer	4,851	5,900	7,571	3,180	-	-	3,180
Girl's Soccer Camp	6,980	-	-	6,980	-	-	6,980
Girl's Soccer District	-	4,128	4,128	-	-	-	-
Girls Soccer Regional	100	-	-	100	-	-	100
Girls Soccer Service Proj	-	-	-	-	-	-	-
Girls Soccer State	-	-	-	-	-	-	-
Golf	92	1,500	1,473	119	-	-	119
Green Dot	-	-	-	-	-	-	-
Guidance	9,550	1,696	5,640	5,606	-	-	5,606
Heartland League	-	-	-	-	-	-	-
Interact Club	-	-	-	-	-	-	-
Interest	6,907	3,772	1,410	9,269	-	-	9,269
Junior Class	129	-	43	86	-	-	86
KYA/KUNA	11	16,595	16,459	147	-	-	147
KYA/KUNA Service Projects	-	-	-	-	-	-	-
Kerrick Science	-	-	-	-	-	-	-
Lacrosse	-	-	-	-	-	-	-
Library	279	288	115	452	-	-	452
Lock Fund	60	-	-	60	-	-	60
Mathematics	2,280	1,385	957	2,708	-	-	2,708
Mathematica	68	-	68	-	-	-	-
Muslim Student Asso	115	-	-	115	-	-	115
Paintball Club	-	-	-	-	-	-	-
Parking	943	2,235	205	2,973	-	-	2,973
Pep Club	102	480	100	482	-	-	482
Physical Education	167	315	445	37	-	-	37
Ping Pong Club	13	-	-	13	-	-	13
Pictures	584	1,264	1,200	648	-	-	648
PLTW Consumables	3,359	1,600	-	4,959	-	-	4,959
PLTW Fees	40	310	-	350	-	-	350
Project Graduation	4,181	3,825	1,211	6,795	-	-	6,795
Prom	4,352	300	-	4,652	-	-	4,652
Rewards Program	2,780	4,242	4,001	3,021	-	-	3,021
Rewards - Shirts	-	-	-	-	-	-	-
SADD	551	480	74	957	-	-	957
SADD - Grant	425	-	-	425	-	-	425
SADD - Service Project	16	-	-	16	-	-	16
Science	2,280	3,925	692	5,513	-	-	5,513
Senior Class	374	-	-	374	-	-	374
Senior Trip	551	-	551	-	-	-	-
Service Club	1,033	-	-	1,033	-	-	1,033
Social Committee	137	944	383	698	-	-	698
Social Committee (Angel)	-	-	-	-	-	-	-
Special Committee (Team St	-	-	-	-	-	-	-
Social Studies	257	1,044	915	386	-	-	386
Softball	1,098	7,190	4,377	3,911	-	-	3,911
Softball Tournament	695	-	695	-	-	-	-
Sophomore Class	399	-	-	399	-	-	399
Spanish Club	528	90	-	618	-	-	618
Spanish Honors	-	-	-	-	-	-	-
Spanish Club - Serv Proj	-	-	-	-	-	-	-
Special Education	1,286	15	-	1,301	-	-	1,301
Special Ed - Jr Achieve	-	-	-	-	-	-	-
Speech	102	4,022	2,018	2,106	-	-	2,106
State Tournament Ticket	-	3,809	3,809	-	-	-	-
STLP	33	-	-	33	-	-	33
Student Assistance Fund	64	-	-	64	-	-	64
Student Vending	1,019	606	33	1,592	-	-	1,592
Student Council	4,126	11,321	10,107	5,340	-	-	5,340

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**ELIZABETHTOWN HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2020**

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Student Council (Veterans)	-	-	-	-	-	-	-
Student Council (Svc Proj)	-	-	-	-	-	-	-
Sweep	-	15,100	15,100	-	-	-	-
Swimming	2,026	1,500	1,430	2,096	-	-	2,096
Swimming Regional	-	4,683	2,445	2,238	-	-	2,238
T-Shirt Sales	102	-	102	-	-	-	-
Target	284	-	284	-	-	-	-
Taylor Family Memorial	-	-	-	-	-	-	-
Technical Education	1,226	350	237	1,339	-	-	1,339
Technology Student Assoc	-	-	-	-	-	-	-
Tennis	866	1,500	1,413	953	-	-	953
Tennis Camp	1,352	-	-	1,352	-	-	1,352
Tennis Regional	50	-	-	50	-	-	50
Textbook Rental	-	-	-	-	-	-	-
Textbook/Chromebook Fee	78	13,316	12,025	1,369	-	-	1,369
Track	2,299	5,000	1,006	6,293	-	-	6,293
Track Regional	1,893	130	2,023	-	-	-	-
United Way	-	463	447	16	-	-	16
VEX Robotic Team	2,826	-	-	2,826	-	-	2,826
Volleyball	319	9,330	8,765	884	-	-	884
Volleyball-District	-	-	-	-	-	-	-
Volleyball-Camp	-	-	-	-	-	-	-
Wounded Warrior Project	-	-	-	-	-	-	-
Winterguard	20	1,812	1,607	225	-	-	225
Writing Club	90	-	-	90	-	-	90
Yearbook	2,993	4,120	734	6,379	-	-	6,379
Subtotal	236,959	418,139	359,022	296,076	-	5,421	290,655
Interfund Transfers		105,829	105,829				
<b>TOTAL</b>	<b>\$ 236,959</b>	<b>\$ 312,310</b>	<b>\$ 253,193</b>	<b>\$ 296,076</b>	<b>\$ -</b>	<b>\$ 5,421</b>	<b>\$ 290,655</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
National School Lunch	10.555	7750002-19		\$ 192,449
		7750002-20		467,298
School Breakfast Program	10.553	7760005-19		75,584
		7760005-20		178,757
Summer Food Service Program for Children	10.559	7690024-19		9,495
		7740023-19		38,435
		7740023-20		377,307
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		108,503
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<b>1,447,828</b>
Passed Through State Department of Education				
State Administrative Expenses for Child Nutrition	10.560	7700001-19		2,907
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>				<b>1,450,735</b>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-17		1,631
		3810002-18		47,309
		3810002-19		294,523
				343,463
Special Education - Preschool Grants	84.173	3800002-17		4,443
		3800002-18		4,887
		3800002-19		16,725
				26,055
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>				<b>369,518</b>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Impact Aid	84.041	GF - Direct		6,286
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-17		10,862
		3100002-18		122,146
		3100002-19		462,585
				595,593
Career and Technical Education - Basic Grants to States	84.048	3710002-18		1,072
		3710002-19		26,363
				27,435
English Language Acquisition Grants	84.365	3300002-17		(990)
		3300002-18		16,777
		3300002-19		8,299
				24,086
Supportive Effective Instruction - State Grants	84.367	3230002-17		9,135
		3230002-18		25,709
		3230002-19		34,320
				69,164
Student Support and Academic Enrichment Program	84.424	3420002-18		39,590
		3420002-19		20,172
				59,762
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20		14,333
Passed Through Kentucky Department for Workforce Development				
Adult Education - Basic Grants to States	84.002	WT-19		16,963
Passed Through Green River Regional Educational Cooperative				
School Safety National Activities	84.184	GRREC-19		5,167
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b>1,188,307</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 2,639,042</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, 2020

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Elizabethtown Independent School District under programs of the federal government for the year ended June 30, 2020. 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. Pass-through entity identifying numbers are presented where available.

#### **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.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

## 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 \_\_\_\_\_X\_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_\_\_X\_none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes                      \_\_\_\_X\_\_\_\_no

### Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_\_\_X\_\_no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_yes \_\_\_\_\_X\_\_none reported

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

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

\_\_\_\_\_yes                      \_\_\_X\_\_\_no

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

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
<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, 2020

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***



HCA

Heartland CPAs and Advisors PLLC

---

**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, 2020, 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 December 3, 2020.

**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 December 3, 2020.

## 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 black ink that reads "Heartland CPAs and Advisors, PLLC". The signature is written in a cursive, flowing style.

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
December 3, 2020

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



HCA

Heartland CPAs and Advisors PLLC

---

**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, 2020. 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, 2020.

## 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.



Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
December 3, 2020

## **MANAGEMENT LETTER AND COMMENTS**



HCA

Heartland CPAs and Advisors PLLC

---

Kentucky State Committee for School District Audits  
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, 2020, 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 December 3, 2020, contains our report on the District's internal control. This letter does not affect our report dated December 3, 2020, 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.

*Heartland CPAs and Advisors, PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
December 3, 2020

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### COMMENTS

June 30, 2020

#### **PRIOR YEAR UNCORRECTED COMMENTS**

No prior year uncorrected comments.

#### **CURRENT YEAR COMMENTS**

##### **HELMWOOD HEIGHTS ELEMENTARY SCHOOL**

###### **RECEIPTS**

Upon review of receipts, we noted that none of the deposit slips had corresponding receipt numbers written on them. Redbook requires pre-numbered receipts to correspond with the deposit ticket for data matching purposes.

###### **MANAGEMENT RESPONSE**

The Director of Finance will meet with school personnel to correct this issue. School Bookkeeper will be given Redbook Training in order to understand compliance with receipt procedures.

##### **ELIZABETHTOWN HIGH SCHOOL**

###### **DEPOSIT SLIP**

We noted that all of the deposits included pre-numbered receipts but did not include the receipt numbers on the deposit slip. Prior to May, none of the deposits included deposit slips. Redbook states that deposit slips should note all of the receipt numbers included in the deposit.

###### **MANAGEMENT RESPONSE**

The Director of Finance will meet with school personnel to correct this issue. School Bookkeeper will be given Redbook Training in order to understand compliance with receipt procedures.