ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2015

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elizabethtown Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, 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, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. 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 46 to 47, schedule of proportionate share of the net pension liability on page 48 and schedule of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2015, 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.

Stites, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 11, 2015

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

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, 2015. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the District was $11.5 million. Ending cash and investments were $13 million.
- Following the completion of the District long-range plan for facilities, there is a focus on investing in plant management with the age and size of our facilities reflective of this need.
- The District's general fund fund balance improved. Fund balance increased by $448 thousand.
- The General Fund had $21.8 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were $19.5 million in General Fund expenditures.
- Bonds are issued as the District builds and renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District refunded the 2010A bonds during the year.
- The District adopted the provisions of GASB Statement 68 during the year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was $15.8 million as of June 30, 2015.

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, 2015 and 2014
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	$ 12,918,177	$ 11,504,954	$ 550,978	$ 553,786	$ 13,469,155	$ 12,058,740
Capital Assets	29,675,156	30,774,003	311,354	374,898	29,986,510	31,148,901
Total Assets	42,593,333	42,278,957	862,332	928,684	43,455,665	43,207,641
Deferred Outflows	627,186	254,108	83,882		711,068	254,108
Long-term Debt	25,149,691	22,696,863	677,663	-	25,827,354	22,696,863
Other Liabilities	2,081,505	1,806,414	7,994	3,234	2,089,499	1,809,648
Total Liabilities	27,231,196	24,503,277	685,657	3,234	27,916,853	24,506,511
Deferred Inflows	379,428		75,572		455,000	-
Net Position						
Net investment in capital assets	8,255,085	8,388,507	311,354	374,898	8,566,439	8,763,405
Restricted	6,230,113	5,575,296	-	-	6,230,113	5,575,296
Unrestricted	1,124,697	4,065,985	(126,369)	550,552	998,328	4,616,537
Total Net Position	$ 15,609,895	$ 18,029,788	$ 184,985	$ 925,450	$ 15,794,880	$ 18,955,238

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

The District invested $44 thousand in capital assets, issued the 2015 refunding bonds for $4.8 million and paid principal of $5.6 million on its revenue bonds.

The District adopted GASB Statement 68 which resulted in recording a net pension liability for CERS of $4 million.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2015, net of Interfund transfers, were $28.2 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being $4.1 mllion more than budget or approximately 25%. This variance was related to on-behalf payments that were not budgeted.
- The total cost of all programs and services including debt service was $27.3 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, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program revenues:						
Charges for services	$ 333,445	$ 350,372	$ 473,352	$ 497,251	$ 806,797	$ 847,623
Operating grants and contributions	7,875,970	5,388,008	1,071,507	1,069,450	8,947,477	6,457,458
Capital grants and contributions	1,983,907	1,915,555	-	-	1,983,907	1,915,555
General revenues:						
Property taxes	4,653,744	4,601,970	-	-	4,653,744	4,601,970
Motor vehicle taxes	280,601	269,045	-	-	280,601	269,045
Utility taxes	961,960	994,005	-	-	961,960	994,005
Revenue in lieu of taxes	108,162	108,171	-	-	108,162	108,171
Gain on disposal of capital assets	34,009	5,498	-	-	34,009	5,498
Investment earnings	176,417	153,853	5,482	4,754	181,899	158,607
State and formula grants	10,280,937	9,501,188	-	-	10,280,937	9,501,188
Miscellaneous	2,947	12,371	-	-	2,947	12,371
Total revenues	26,692,099	23,300,036	1,550,341	1,571,455	28,242,440	24,871,491
EXPENSES						
Program Activities						
Instruction	16,942,342	14,340,481	-	-	16,942,342	14,340,481
Student support	880,759	802,944	-	-	880,759	802,944
Instructional staff support	959,095	908,152	-	-	959,095	908,152
District administrative support	451,646	591,754	-	-	451,646	591,754
School administrative support	1,312,318	1,268,815	-	-	1,312,318	1,268,815
Business support	666,436	572,607	-	-	666,436	572,607
Plant operation and maintenance	2,491,018	2,363,596	-	-	2,491,018	2,363,596
Student transportation	880,865	713,969	-	-	880,865	713,969
Community service activities	156,158	153,611	-	-	156,158	153,611
Other	40,800	24,752	-	-	40,800	24,752
Interest costs	984,645	1,025,383	-	-	984,645	1,025,383
Business-type Activities:						
Food service	-	-	1,388,917	1,301,934	1,388,917	1,301,934
Daycare	-	-	135,425	137,116	135,425	137,116
Total expenses	25,766,082	22,766,064	1,524,342	1,439,050	27,290,424	24,205,114
Excess before transfers	926,017	533,972	25,999	132,405	952,016	666,377
Extraordinary item - KSBIT	95,626	55,283			95,626	55,283
Transfers	67,541	60,414	(67,541)	(60,414)	-	-
Increase (decrease) in net position	$ 1,089,184	$ 649,669	$ (41,542)	$ 71,991	$ 1,047,642	$ 721,660

Governmental Activities

Instruction comprises 66% of governmental program expenses. Support services expenses make up 29% of government expenses. The remaining expense for community services, interest and other expense 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.

	(Table 3) Governmental Activities Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 16,942,342	$ 14,340,481	$ 10,203,535	$ 9,733,173
Support Services	7,642,137	7,221,837	6,283,851	6,198,376
Community Services & Other	196,958	178,363	40,636	24,752
Facilities acquisition and construction	-	-	(1,241,852)	(1,142,882)
Interest costs	984,645	1,025,383	286,590	298,710
Total expenses	$ 25,766,082	$ 22,766,064	$ 15,572,760	$ 15,112,129

Business-Type Activities

The business-type activities include the food service and daycare operations. These programs had total revenues of $1,550,341 and expenses of $1,524,342 for fiscal year 2015. Of the revenues, $473,352 was charges for services, $1,071,507 was from State and Federal grants and $5,482 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 $33.8 million and expenditures and other financing uses of $32.5 million.

General Fund-Budget Highlights

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

For the General Fund, revenues were budgeted at $16 million, with actual amounts of $21.8 million. Budgeted expenditures of $21.4 million compare with actual expenditures of $21.3 million. The most significant fluctuation is for unbudgeted on-behalf payments of $5.7 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015 the School District had $29.9 million invested in land, buildings, vehicles, equipment and construction in progress and $29.7 million in governmental activities. Table 4 shows fiscal year 2015 and 2014 balances.

(Table 4)
Capital Assets at June 30, 2015 and 2014
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and land improvements	$ 353,645	$ 364,747	$ -	$ -	$ 353,645	$ 364,747
Buildings and improvements	28,631,301	26,317,420	21,642	26,542	28,652,943	26,343,962
Technology	267,009	440,747	-	-	267,009	440,747
Vehicles	90,636	146,845	-	-	90,636	146,845
General equipment	288,566	324,946	289,712	348,356	578,278	673,302
Total	29,631,157	27,594,705	311,354	374,898	29,942,511	27,969,603
Construction in progress	43,999	3,179,298	-	-	43,999	3,179,298
Total	$ 29,675,156	$ 30,774,003	$ 311,354	$ 374,898	$ 29,986,510	$ 31,148,901

Table 5 shows changes in capital assets for the years ended June 30, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Beginning balance	$ 30,774,003	$ 27,874,490	$ 374,898	$ 428,997	$ 31,148,901	$ 28,303,487
Additions	4,064,229	8,653,358	584	11,222	4,064,813	8,664,580
Retirements	(3,578,225)	(4,387,537)	-	-	(3,578,225)	(4,387,537)
Depreciation	(1,584,851)	(1,366,308)	(64,128)	(65,321)	(1,648,979)	(1,431,629)
Ending balance	$ 29,675,156	$ 30,774,003	$ 311,354	$ 374,898	$ 29,986,510	$ 31,148,901

Debt

At June 30, 2015, the School District had $21.7 million in bonds outstanding, of this amount $1.5 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of $864 thousand is due within one year.

District Challenges for the Future

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

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

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

Most costs associated with growth 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.

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

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

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2015-16 with a 18% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$ 10,831,104	$ 554,259	$ 11,385,363
Investments	1,631,111		1,631,111
Interfund balances	32,347	(32,347)	-
Inventory		29,066	29,066
Receivables:			
Taxes-current	102,555		102,555
Taxes-delinquent	6,743		6,743
Other receivables	68,715		68,715
Intergovernmental-Indirect Federal	245,602		245,602
Total Current Assets	12,918,177	550,978	13,469,155
Noncurrent Assets			
Non-depreciable capital assets	311,794		311,794
Depreciable capital assets, net of accumulated depreciation	29,363,362	311,354	29,674,716
Total Noncurrent Assets	29,675,156	311,354	29,986,510
Total Assets	42,593,333	862,332	43,455,665
Deferred Outflows of Resources			
CERS pension contributions	421,147	83,882	505,029
Deferred amount on debt refundings	206,039		206,039
Total Deferred Outflows of Resources	627,186	83,882	711,068
Liabilities			
Current Liabilities			
Accounts payable	492,945	7,994	500,939
Accrued payroll and related expenses	1,067		1,067
Unearned revenue	172,171		172,171
Bond obligations	864,000		864,000
Capital lease obligations	37,240		37,240
Compensated absences	392,076		392,076
Interest payable	122,006		122,006
Total Current Liabilities	2,081,505	7,994	2,089,499
Noncurrent Liabilities			
Bond obligations	20,686,233		20,686,233
Capital lease obligations	38,637		38,637
Net pension liability - CERS	3,402,337	677,663	4,080,000
Compensated absences	1,022,484		1,022,484
Total Noncurrent Liabilities	25,149,691	677,663	25,827,354
Total Liabilities	27,231,196	685,657	27,916,853
Deferred Inflows of Resources			
CERS net investment difference	379,428	75,572	455,000
Total Deferred Inflows of Resources	379,428	75,572	455,000
Net Position			
Net investment in capital assets	8,255,085	311,354	8,566,439
Restricted	6,230,113		6,230,113
Unrestricted	1,124,697	(126,369)	998,328
Total Net Position	$ 15,609,895	$ 184,985	$ 15,794,880

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	$ 16,942,342	$ 333,445	$ 6,361,362	$ 44,000	$ (10,203,535)	$ -	$ (10,203,535)
Support services:							
Student	880,759		222,408		(658,351)		(658,351)
Instruction staff	959,095		419,651		(539,444)		(539,444)
District administrative	451,646		48,631		(403,015)		(403,015)
School administrative	1,312,318		332,083		(980,235)		(980,235)
Business	666,436		100,417		(566,019)		(566,019)
Plant operation and maintenance	2,491,018		100,098		(2,390,920)		(2,390,920)
Student transportation	880,865		134,998		(745,867)		(745,867)
Community service activities	156,158		156,322		164		164
Facilities acquisition and construction				1,241,852	1,241,852		1,241,852
Other	40,800				(40,800)		(40,800)
Interest on long-term debt	984,645			698,055	(286,590)		(286,590)
Total Governmental Activities	25,766,082	333,445	7,875,970	1,983,907	(15,572,760)	-	(15,572,760)
Business-Type Activities:							
Food service	1,388,917	337,331	1,058,597			7,011	7,011
Daycare	135,425	136,021	12,910			13,506	13,506
Total Business-Type Activities	1,524,342	473,352	1,071,507	-	-	20,517	20,517
Total Primary Government	$ 27,290,424	$ 806,797	$ 8,947,477	$ 1,983,907	(15,572,760)	20,517	(15,552,243)
			General Revenues:				
			Taxes:				
			Property taxes		4,653,744		4,653,744
			Motor vehicle taxes		280,601		280,601
			Utility taxes		961,960		961,960
			Revenue in lieu of taxes		108,162		108,162
			Gain on disposal of capital assets		34,009		34,009
			Investment earnings		176,417	5,482	181,899
			State and formula grants		10,280,937		10,280,937
			Miscellaneous		2,947		2,947
			Transfers		67,541	(67,541)	-
			Extraordinary item - KSBIT		95,626		95,626
			Total general revenues, transfers and extraordinary item		16,661,944	(62,059)	16,599,885
			Change in net position		1,089,184	(41,542)	1,047,642
			Net position - beginning, as previously reported		18,029,788	925,450	18,955,238
			Restatement for adoption of GASB 68		(3,509,077)	(698,923)	(4,208,000)
			Net position - beginning, as restated		14,520,711	226,527	14,747,238
			Net position - ending		$ 15,609,895	$ 184,985	$ 15,794,880

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, 2015

	General Fund	Special Revenue Fund	FSPK Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 6,267,258	$ 44,792	$ 2,516,596	$ 30,296	$ 1,972,162	$ 10,831,104
Investments				1,482,798	148,313	1,631,111
Due from other funds	32,347					32,347
Receivables:						
Taxes - current	102,555					102,555
Taxes - delinquent	6,743					6,743
Other receivables	49,702	19,013				68,715
Intergovernmental - Indirect Federal		245,602				245,602
Total Assets	$ 6,458,605	$ 309,407	$ 2,516,596	$ 1,513,094	$ 2,120,475	$ 12,918,177
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	$ 404,294	$ 31,131	$ -	$ -	$ 57,520	$ 492,945
Accrued payroll and related expenses	1,067					1,067
Unearned revenue		172,171				172,171
Total Liabilities	405,361	203,302	-	-	57,520	666,183
Fund Balances						
Restricted	100,000	106,105	2,516,596	1,513,094	1,994,318	6,230,113
Committed					68,637	68,637
Assigned						-
Unassigned	5,953,244					5,953,244
Total Fund Balances	6,053,244	106,105	2,516,596	1,513,094	2,062,955	12,251,994
Total Liabilities and Fund Balances	$ 6,458,605	$ 309,407	$ 2,516,596	$ 1,513,094	$ 2,120,475	$ 12,918,177

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, 2015

Total fund balance per fund financial statements	$ 12,251,994
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.	29,675,156
Governmental funds record debt refundings as other financiing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	206,039
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	421,147
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(379,428)
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)	(21,550,233)
Capital lease obligations	(75,877)
Interest payable	(122,006)
Compensated absences	(1,414,560)
Net pension liability - CERS	(3,402,337)
Net position for governmental activities	$ 15,609,895

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, 2015

	General Fund	Special Revenue Fund	FSPK Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	$ 3,934,759	$ -	$ 718,985	$ -	$ -	$ 4,653,744
Motor vehicle	268,405		12,196			280,601
Utilities	961,960					961,960
Revenue in lieu of taxes	108,162					108,162
Tuition and fees	327,597					327,597
Earnings on investments	89,468	878	23,180	54,317	8,574	176,417
Other local revenues	49,951	49,481			168,146	267,578
Intergovernmental - State	14,252,251	801,321	1,011,506	180,383	230,346	16,475,807
Intergovernmental - Indirect Federal	30,127	1,202,098				1,232,225
Intergovernmental - Direct Federal	19,675			517,672		537,347
Total Revenues	20,042,355	2,053,778	1,765,867	752,372	407,066	25,021,438
Expenditures:						
Instruction	12,566,083	1,662,689			97,783	14,326,555
Support services:						
Student	866,287	20,115				886,402
Instruction staff	738,865	221,789				960,654
District administrative	507,981					507,981
School administrative	1,327,993					1,327,993
Business	682,573					682,573
Plant operation and maintenance	1,969,183				1,726	1,970,909
Student transportation	840,624	9,513				850,137
Community service activities		156,322				156,322
Other non-instruction	47,447					47,447
Facilities acquisition and construction					442,452	442,452
Bond issuance costs				40,800		40,800
Debt service:						
Principal				865,000		865,000
Interest				922,386		922,386
Total Expenditures	19,547,036	2,070,428	-	1,828,186	541,961	23,987,611
Excess (Deficit) of Revenues over Expenditures	495,319	(16,650)	1,765,867	(1,075,814)	(134,895)	1,033,827
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	34,483					34,483
Bond proceeds from refunding bonds				4,825,000		4,825,000
Bond premium				6,213		6,213
Debt service - principal				(4,700,000)		(4,700,000)
Transfers in	67,541	53,733		1,340,217	707,284	2,168,775
Transfers out	(53,733)		(1,888,267)		(159,234)	(2,101,234)
Total Other Financing Sources (Uses	48,291	53,733	(1,888,267)	1,471,430	548,050	233,237
Extraordinary item - KSBIT	(95,626)					(95,626)
Net Change in Fund Balances	447,984	37,083	(122,400)	395,616	413,155	1,171,438
Fund Balance, July 1, 2014	5,605,260	69,022	2,638,996	1,117,478	1,649,800	11,080,556
Fund Balance, June 30, 2015	$ 6,053,244	$ 106,105	$ 2,516,596	$ 1,513,094	$ 2,062,955	$ 12,251,994

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, 2015

Net change in total fund balances per fund financial statements	$ 1,171,438
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(1,098,373)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(4,831,213)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	5,607,943
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(474)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	148,460
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	95,626
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.	(4,223)
Change in net position of governmental activities	$ 1,089,184

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, 2015

	Food Service Fund	Daycare Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 515,562	$ 38,697	$ 554,259
Inventory	29,066		29,066
Total Current Assets	544,628	38,697	583,325
Noncurrent Assets			
Depreciable capital assets, net of accumulated depreciation	311,354		311,354
Total Noncurrent Assets	311,354	-	311,354
Total Assets	855,982	38,697	894,679
Deferred Outflows of Resources			
CERS pension contributions	68,476	15,406	83,882
Total Deferred Outflows of Resources	68,476	15,406	83,882
Liabilities			
Current Liabilities			
Accounts payable	7,861	133	7,994
Due to other funds	32,347		32,347
Total Current Liabilities	40,208	133	40,341
Noncurrent Liabilities			
Net pension liability - CERS	553,199	124,464	677,663
Total Noncurrent Liabilities	553,199	124,464	677,663
Total Liabilities	593,407	124,597	718,004
Deferred Inflows of Resources			
CERS net investment difference	61,692	13,880	75,572
Total Deferred Inflows of Resources	61,692	13,880	75,572
Net Position			
Net investment in capital assets	311,354		311,354
Unrestricted	(41,995)	(84,374)	(126,369)
Total Net Position	$ 269,359	$ (84,374)	$ 184,985

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, 2015

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	$ 337,331	$ -	$ 337,331
Tuition and fees		136,021	136,021
Total Operating Revenues	337,331	136,021	473,352
Operating Expenses:			
Salaries and wages	570,853	133,602	704,455
Materials and supplies	690,091	459	690,550
Depreciation	64,128		64,128
Other operating expenses	63,845	1,364	65,209
Total Operating Expenses	1,388,917	135,425	1,524,342
Operating income (loss)	(1,051,586)	596	(1,050,990)
Non-Operating Revenues (Expenses):			
Federal grants	881,468		881,468
Donated commodities	79,803		79,803
State on-behalf payments	84,247	12,910	97,157
State grants	13,079		13,079
Interest income	5,482		5,482
Total Non-Operating Revenues (Expenses) before Transfers	1,064,079	12,910	1,076,989
Transfers out	(67,541)		(67,541)
Change in net position	(55,048)	13,506	(41,542)
Net Position, July 1, 2014, as previously reported	894,961	30,489	925,450
Restatement for adoption of GASB 68	(570,554)	(128,369)	(698,923)
Net Position, July 1, 2014, as restated	324,407	(97,880)	226,527
Net Position June 30, 2015	$ 269,359	$ (84,374)	$ 184,985

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, 2015

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	$ 337,331	$ -	$ 337,331
Tuition and fees		136,021	136,021
Cash paid to/for:			
Employees	510,745	126,123	636,868
Supplies	583,248	773	584,021
Other activities	63,845	1,364	65,209
Net Cash Provided (Used) by Operating Activities	(820,507)	7,761	(812,746)
Cash flows from Non-Capital Financing Activities			
Federal grants	895,053		895,053
State grants	13,079		13,079
Transfers out	(67,541)		(67,541)
Net Cash Provided by Non-Capital Financing Activities	840,591	-	840,591
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(584)	-	(584)
Net Cash Used by Capital and Related Financing Activities	(584)	-	(584)
Cash Flows from Investing Activities			
Receipt of interest income	5,482		5,482
Net Cash Provided by Investing Activities	5,482	-	5,482
Net increase in cash and cash equivalents	24,982	7,761	32,743
Balances, beginning of year	490,580	30,936	521,516
Balances, end of year	$ 515,562	$ 38,697	$ 554,259
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (1,051,586)	$ 596	$ (1,050,990)
Adjustments to reconcile operating income (loss) to net cash provided (uses) by operating activities:			
Depreciation	64,128		64,128
State on-behalf payments	84,247	12,910	97,157
Donated commodities	79,803		79,803
GASB 68 pension expense	(24,139)	(5,431)	(29,570)
Change in assets and liabilities:			
Inventory	3,855		3,855
Accounts payable	5,074	(314)	4,760
Due to other funds	18,111		18,111
Net cash provided (used) by operating activities	$ (820,507)	$ 7,761	$ (812,746)
Schedule of non-cash transactions:			
Donated commodities received from federal government	$ 79,803	$ -	$ 79,803
State on-behalf payments	$ 84,247	$ 12,910	$ 97,157
CERS pension	$ 44,337	$ 9,975	$ 54,312

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, 2015

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	$ 203,678	$ 311,397
Receivables	5,900	815
Total Assets	209,578	312,212
Liabilities		
Accounts payable		15,411
Due to student groups		296,801
Total Liabilities	-	312,212
Net Position Held in Trust	$ 209,578	$ -

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, 2015

	Private Purpose Trust Funds
Additions	
Contributions	$ 40,235
Net interest and investment gains (losses)	2,145
	42,380
Deductions	
Scholarships paid	(35,775)
Change in net position	6,605
Net Position, July 1, 2014	202,973
Net Position, June 30, 2015	$ 209,578

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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.

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.

(D) 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.

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 arc 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. PREPAID ITEMS

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

H. CAPITAL ASSETS

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

Description	Governmental Activities Estimated Lives
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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

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

J. COMPENSATED ABSENCES

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

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities, the food service fund and the daycare fund.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations.* GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application.* GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

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

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

NOTE 2 – PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2015, to finance operations were $.725 per $100 valuation for real property, $.725 per $100 valuation for business personal property and $.538 per $100 valuation for motor vehicles.

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

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, $12,765,586 of the District's bank balance of $13,015,586 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, 2015, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	$ 236,739	Not Rated	$ 236,739
Federal National Mortgage Association Note	1,394,372	AAA	1,394,372
Total Investments	$ 1,631,111		$ 1,631,111

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

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

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.

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.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	$ 53,733
FSPK Fund	Nonmajor Governmental	Debt Service	1,340,217
FSPK Fund	Nonmajor Governmental	Construction	548,050
Nonmajor Governmental	Nonmajor Governmental	Construction	159,234
Food Service	General	Indirect Costs	67,541
Government Wide Financial Statements			
Food Service	General	Indirect Costs	67,541

The Food Service fund also owed the General Fund $32,347 for indirect costs at year-end.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	$ 267,795	$ -	$ -	$ 267,795
Construction in progress	3,179,298	442,452	(3,577,751)	43,999
Total Capital Assets Not Being Depreciated	3,447,093	442,452	(3,577,751)	311,794
Capital Assets Being Depreciated:				
Land improvements	568,233			568,233
Buildings and improvements	39,971,851	3,558,037		43,529,888
Technology equipment	1,726,071	63,740	(280,526)	1,509,285
Vehicles	1,286,430			1,286,430
General equipment	1,005,849			1,005,849
Total Capital Assets Being Depreciated at Historical Cost	44,558,434	3,621,777	(280,526)	47,899,685
Accumulated depreciation:				
Land improvements	471,281	11,102		482,383
Buildings and improvements	13,654,431	1,244,156		14,898,587
Technology equipment	1,285,324	237,004	(280,052)	1,242,276
Vehicles	1,139,585	56,209		1,195,794
General equipment	680,903	36,380		717,283
Total accumulated depreciation	17,231,524	1,584,851	(280,052)	18,536,323
Total Other Capital Assets, net	27,326,910	2,036,926	(474)	29,363,362
Governmental Activities Capital Assets - Net	$ 30,774,003	$ 2,479,378	$ (3,578,225)	$ 29,675,156
Business-Type Activities				
Buildings and improvements	$ 339,450	$ -	$ -	$ 339,450
Technology equipment	1,146		(1,146)	-
Food service equipment	1,004,822	584		1,005,406
Totals at historical cost	1,345,418	584	(1,146)	1,344,856
Accumulated depreciation:				
Buildings and improvements	312,908	4,900		317,808
Technology equipment	1,146		(1,146)	-
Food service equipment	656,466	59,228		715,694
Total accumulated depreciation	970,520	64,128	(1,146)	1,033,502
Business-Type Activities Capital Assets - Net	$ 374,898	$ (63,544)	$ -	$ 311,354

Depreciation was charged to governmental functions as follows:

Instruction	$ 984,422
Student support	509
Instructional staff	1,954
District administration	401
School administration	70
Business support	475
Plant	549,497
Transportation	47,523
	$ 1,584,851

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, 2015, is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	$ 22,472,000	$ 4,825,000	$ 5,565,000	$ 21,732,000	$ 864,000
Capital leases	118,820		42,943	75,877	37,240
	22,590,820	4,825,000	5,607,943	21,807,877	901,240
Less Discount/premium	(205,324)	6,214	17,343	(181,767)	-
Total Bonds and Leases Payable	22,385,496	4,831,214	5,625,286	21,626,110	901,240
Other Liabilities:					
Compensated absences	1,468,095	17,954	71,489	1,414,560	392,076
Net pension liability - CERS	-	3,402,337		3,402,337	
Claims	95,626		95,626	-	
Total Other Liabilities	1,563,721	3,420,291	167,115	4,816,897	392,076
Total Governmental Activities Long-Term Liabilities	$ 23,949,217	$ 8,251,505	$ 5,792,401	$ 26,443,007	$ 1,293,316

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Business-Type Activities:					
Net pension liability - CERS	$ -	$ 677,663	$ -	$ 677,663	$ -

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and KSBIT. The general fund, food service fund and daycare fund are primarily responsible for paying the net pension liability.

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

Issue Date	Original Proceeds	Rates
1998	$ 850,000	4.25% - 4.95%
2005A REF	1,870,000	2.80% - 3.65%
2005B REF	589,000	2.80% - 3.65%
2010 QSCB	6,425,000	5.45%
2010 QZAB	2,470,000	5.63%
2011R	4,625,000	1.50% - 2.60%
2013	3,345,000	1.00% - 2.125%
2015R	4,825,000	1.00% - 3.00%

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

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

On April 7, 2015, the District issued $4,825,000 in Refunding Revenue Bonds with an average interest rate of 2.83 percent to advance refund $4,700,000 of outstanding 20010A Series Bonds. The refunding was a current refunding. The net proceeds of $4,790,183 (after $40,800 in cost of issuance, $6,214 in bond premium and $231 in excess cash which was deposited in the bond payment fund) were used to retire the 2010A Series Bonds.

The District completed the refunding to reduce its total debt service payments over the next 13 years by $513,577 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $422,816.

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Participation	U.S. Government Participation	District's Portion
2016	$ 864,000	$ 793,781	$ 117,631	$ 482,109	$ 1,058,041
2017	813,000	768,298	101,138	482,109	998,051
2018	815,000	754,291	81,427	482,109	1,005,755
2019	825,000	739,491	71,056	482,109	1,011,326
2020	820,000	723,131	43,056	482,109	1,017,966
2021-2025	3,750,000	3,332,509	163,217	2,410,545	4,508,747
2026-2030	12,935,000	2,168,981	1,004,080	1,687,382	12,412,519
2031	910,000	13,650			923,650
	$ 21,732,000	$ 9,294,132	$ 1,581,605	$ 6,508,472	$ 22,936,055

Capital Lease Liabilities

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

Classes of Property	
Buses	
Gross amount of assets	$363,473

These assets are included in depreciable capital assets and depreciated in the statement of activities.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

2016	40,134
2017	40,134
Total minimum lease payments	80,268
Less: Amount representing interest	(4,391)
Present Value of Net Minimum Lease Payments	$ 75,877

NOTE 8 – PENSION PLANS

Plan Descriptions

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

KTRS

Benefits Provided

For Members Before July 1, 2008:

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

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

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

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

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.

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 27years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

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

Other Benefits:

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

Contributions

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

NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was $68,101,554.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of $3,337,115 and revenue of $3,337,115 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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

NOTE 8 – PENSION PLANS – CONTINUED

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

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

CERS

Benefits Provided

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

NOTE 8 – PENSION PLANS – CONTINUED

Contributions

For the fiscal year ended June 30, 2015, 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, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were $505,029.

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

At June 30, 2015, the District reported a liability of $4,080,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the District's proportion was 0.125763 percent.

For the year ended June 30, 2015, the District recognized pension expense of $327,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of $505,029 and (2) Deferred inflows of resources for differences between expected and actual experience of $455,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of $505,029 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

NOTE 8 – PENSION PLANS – CONTINUED

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	33,588,000	25,525,000	18,399,800

Pension Plan Fiduciary Net Position

Detailed information about the pension 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 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, 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, 2015, the District had $100,000 restricted for sick leave in the general fund, $106,105 restricted for grants in the special revenue fund, $2,516,596 restricted for capital projects in the FSPK Fund, $958,620 restricted for capital projects in the Construction Fund, $1,035,698 restricted for capital projects in the SEEK Capital Outlay Fund and $1,513,094 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 $68,637 committed for school funds in the District Activity Fund at June 30, 2015.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had no assigned fund balances at June 30, 2015.

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 10 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES – CONTUNUED

The District has commitments related to construction projects at June 30, 2015.

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of $150,909. In August 2014, the District received an invoice for $95,626 which was the amount to satisfy the claim. This amount was paid during the fiscal year. This amount was recorded as a current liability in the Statement of Net Position at June 30, 2014 as it was expected to be paid by June 30, 2015; however, it was not due at June 30, 2014, for the fund financial statements and was recorded in the fund financial statements during the fiscal year. The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence.

NOTE 11 – DEFICIT OPERATING BALANCES

The Daycare had a deficit net position at June 30, 2015 in the amount of $84,374. The deficit net position is a result of the recording of the net pension liability for CERS as part of the adoption of GASB Statement 68.

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

Construction Fund	$4,133,996

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	$ 2,350,644
Life	4,269
Admin	29,374
HRA	159,604
KTRS	1,604,835
Technology	60,793
Debt Service	180,383
Less: Federal Reimbursement	(141,048)
Total on-behalf	$ 4,248,854

Recorded as follows:

General Fund	$ 3,971,314
Food Service Fund	84,247
Daycare Fund	12,910
Debt Service Fund	180,383
	$ 4,248,854

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, 2015

	Original	Final	Actual
Revenues:			
From local sources:			
Taxes:			
Property	$ 3,734,328	$ 4,010,853	$ 3,934,759
Motor vehicle	226,903	219,053	268,405
Utilities	1,000,000	1,000,000	961,960
Revenue in lieu of taxes	111,000	111,000	108,162
Tuition and fees	275,093	275,093	327,597
Earnings on investments	100,000	85,000	89,468
Other local revenues	47,000	47,000	49,951
Intergovernmental - State	9,736,650	10,225,707	14,252,251
Intergovernmental - Indirect Federal		10,000	30,127
Intergovernmental - Direct Federal	6,000	6,000	19,675
Total Revenues	15,236,974	15,989,706	20,042,355
Expenditures:			
Instruction	9,695,480	9,924,112	12,566,083
Support services:			
Student	665,221	657,713	866,287
Instruction staff	558,127	558,127	738,865
District administrative	516,345	516,345	507,981
School administrative	1,007,248	1,007,249	1,327,993
Business	909,680	857,921	682,573
Plant operation and maintenance	1,699,226	1,712,226	1,969,183
Student transportation	775,372	776,872	840,624
Other non-instruction	4,165,251	5,386,273	47,447
Total Expenditures	19,991,950	21,396,838	19,547,036
Excess (Deficit) of Revenues over Expenditures	(4,754,976)	(5,407,132)	495,319
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			34,483
Transfers in	60,000	60,000	67,541
Transfers out	(50,000)	(50,000)	(53,733)
Total Other Financing Sources (Uses)	10,000	10,000	48,291
Extraordinary item - KSBIT		(95,626)	(95,626)
Net Change in Fund Balance	(4,744,976)	(5,492,758)	447,984
Fund Balance, July 1, 2014	4,744,976	5,492,758	5,605,260
Fund Balance, June 30, 2015	$ -	$ -	$ 6,053,244

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 $3,791,314.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	Original	Final	Actual
Revenues:			
Earnings on investments	$ -	$ -	$ 878
Other local revenues		20,000	49,481
Intergovernmental - State	645,604	790,135	801,321
Intergovernmental - Indirect Federal	1,169,686	1,217,800	1,202,098
Total Revenues	1,815,290	2,027,935	2,053,778
Expenditures:			
Instruction	1,440,825	1,586,293	1,662,689
Support services:			
Student	20,793	22,058	20,115
Instruction staff	234,347	303,830	221,789
Student transportation	13,922	13,752	9,513
Community service activities	155,403	155,736	156,322
Total Expenditures	1,865,290	2,081,669	2,070,428
Excess (Deficit) of Revenues over Expenditures	(50,000)	(53,734)	(16,650)
Other Financing Sources (Uses):			
Transfers in	50,000	93,524	53,733
Transfers out		(39,790)	
Total Other Financing Sources (Uses)	50,000	53,734	53,733
Net Change in Fund Balance	-	-	37,083
Fund Balance, July 1, 2014	-	-	69,022
Fund Balance, June 30, 2015	$ -	$ -	$ 106,105

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

June 30, 2015

Last 10 Years *

		2015
Proportion of the net pension liability		0.125763%
Proportionate share of the net pension liability	$	4,080,000
Covered - employee payroll	$	2,881,779
Proportionate share of the net pension liability as percentage of covered payroll		141.6%
Plan fiduciary net position as a percentage of the total pension liability		66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2015

Last 10 Years *

		2015
Contractually required contribution (actuarially determined)	$	505,029
Contribution in relation to the actuarially determined contributions		505,029
Contribution deficiency (excess)	$	-
Covered employee payroll	$	2,858,115
Contributions as a percentage of covered employee payroll		17.67%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

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

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	$ 86,792	$ 1,035,698	$ 849,672	$ 1,972,162
Investments			148,313	148,313
Total Assets	$ 86,792	$ 1,035,698	$ 148,313	$ 2,120,475
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	$ 18,155	$ -	$ 39,365	$ 57,520
Total Liabilities	18,155	-	39,365	57,520
Fund Balances				
Restricted		1,035,698	958,620	1,994,318
Committed	68,637			68,637
Total Fund Balances	68,637	1,035,698	958,620	2,062,955
Total Liabilities and Fund Balances	$ 86,792	$ 1,035,698	$ 997,985	$ 2,120,475

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources:				
Other local revenue	$ 168,146	$ -	$ -	$ 168,146
Earnings on investments		8,546	28	8,574
Intergovernmental - State		230,346		230,346
Total Revenues	168,146	238,892	28	407,066
Expenditures				
Instruction	97,783			97,783
Support services:				
Plant operation and maintenance	1,726			1,726
Facilities acquisition and construction			442,452	442,452
Total Expenditures	99,509	-	442,452	541,961
Excess (Deficit) of Revenues over Expenditures	68,637	238,892	(442,424)	(134,895)
Other Financing Sources (Uses)				
Transfers in			707,284	707,284
Transfers out		(159,234)		(159,234)
Total Other Financing Sources (Uses)	-	(159,234)	707,284	548,050
Net Change in Fund Balances	68,637	79,658	264,860	413,155
Fund balance, July 1, 2014	-	956,040	693,760	1,649,800
Fund balance, June 30, 2015	$ 68,637	$ 1,035,698	$ 958,620	$ 2,062,955

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2015

	Panther Academy	Helmwood Heights Elementary	Morningside Elementary	T.K. Stone Middle School	Elizabethtown High School	Total Agency Fund
Assets						
Cash and cash equivalents	$ 1,089	$ 22,073	$ 36,287	$ 48,498	$ 203,450	$ 311,397
Receivables	710	80	-	-	25	815
Total Assets	$ 1,799	$ 22,153	$ 36,287	$ 48,498	$ 203,475	$ 312,212
Liabilities						
Accounts payable	$ 710	$ 359	$ 8,342	$ 6,000	$ -	$ 15,411
Due to student groups	1,089	21,794	27,945	42,498	203,475	296,801
Total Liabilities	$ 1,799	$ 22,153	$ 36,287	$ 48,498	$ 203,475	$ 312,212

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

SCHOOL	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
Elizabethtown High	$ 200,219	$ 383,975	$ 380,744	$ 203,450	$ 25	$ -	$ 203,475
Helmwood Heights Elementary	24,339	54,930	57,196	22,073	80	359	21,794
Morningside Elementary	98,085	29,663	91,461	36,287	-	8,342	27,945
Panther Academy	3,165	7,165	9,241	1,089	710	710	1,089
T.K. Stone Middle	51,454	133,158	136,114	48,498	-	6,000	42,498
	$ 377,262	$ 608,891	$ 674,756	$ 311,397	$ 815	$ 15,411	$ 296,801

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
Academic Team	$ 43	$ 290	$ 333	$ -	$ -	$ -	$ -
Adult Vending	630	1,099	1,524	205	-	-	205
Agendas	464	-	464	-	-	-	-
Angels in the Outfield	-	18,123	14,717	3,406	-	-	3,406
AP Chemistry	-	-	-	-	-	-	-
AP Social Studies	172	420	514	78	-	-	78
Archery	-	2,016	1,617	399	-	-	399
Art Club	631	74	704	1	-	-	1
Athletic Concessions	11,166	13,314	9,128	15,352	-	-	15,352
Athletic Fees	34,103	52,519	69,120	17,502	-	-	17,502
Athletic Gate	47,237	53,685	47,002	53,920	-	-	53,920
Athletics	56	4,772	4,655	173	-	-	173
Band	100	10,180	3,113	7,167	-	-	7,167
Baseball	1,091	7,227	6,526	1,792	-	-	1,792
Baseball Camp	2,874	1,760	3,177	1,457	-	-	1,457
Baseball Regional	3,246	-	1,363	1,883	-	-	1,883
Belle	6,332	8,000	7,133	7,199	-	-	7,199
Beta Club	1,771	2,356	1,389	2,738	-	-	2,738
Beta Club Service Proj	44	-	-	44	-	-	44
Beta-Service Proj #2	-	-	-	-	-	-	-
Bowling	-	3,315	2,381	934	-	-	934
Boy's Basketball	3,260	20,541	20,584	3,217	-	-	3,217
Boy's Basketball Camp	1,440	5,610	1,117	5,933	-	-	5,933
Boy's Basketball District	-	-	-	-	-	-	-
Boy's Soccer	346	5,135	5,146	335	-	-	335
Boy's Soccer Camp	2,660	-	2,341	319	-	-	319
Boys Soccer Service Proj	-	-	-	-	-	-	-
Boys Soccer Tournament	2	-	-	2	-	-	2
Broadcasting	300	-	300	-	-	-	-
Building Rental	659	3,274	1,783	2,150	-	-	2,150
Business Education	454	2,220	2,463	211	-	-	211
Cheerleader Club	19	-	-	19	-	-	19
Cheerleading Clinic	792	1,550	-	2,342	-	-	2,342
Cheerleading	1,070	3,877	2,993	1,954	-	-	1,954
Chorus	5,102	2,673	3,235	4,540	-	-	4,540
Chorus-Piano Restoration	550	580	1,130	-	-	-	-
Class of 1960 Scholarship	234	160	-	394	-	-	394
Class of 2005 Scholarship	1,000	-	-	1,000	-	-	1,000
Community Donations	1,239	-	1,239	-	-	-	-
Cross Country	137	1,643	1,436	344	-	-	344
Dow Corning	64	-	-	64	-	-	64
Drama	134	10	51	93	-	-	93
EEF-Etown Ed Foundation	862	6,946	7,808	-	-	-	-
Engineering	310	220	464	66	-	-	66
English	328	5,970	2,304	3,994	-	-	3,994
English-GE	366	-	366	-	-	-	-
FCA	678	92	229	541	-	-	541
Fishing	-	1,550	1,292	258	-	-	258
Football	70	23,481	23,448	103	-	-	103
Freshman Class	58	-	-	58	-	-	58
Fund for the Arts	52	-	-	52	-	-	52
FBLA	729	-	729	-	-	-	-
Gifted and Talented	414	-	-	414	-	-	414
Girl's Basketball	1,234	16,910	14,591	3,553	-	-	3,553
Girl's Basketball Camp	-	4,185	3,164	1,021	-	-	1,021
Girl's Basketball Dist	-	5,415	4,764	651	-	-	651
Girl's Soccer	2,778	7,464	9,042	1,200	-	-	1,200
Girl's Soccer Camp	4,615	-	-	4,615	-	-	4,615
Girl's Soccer District	-	4,136	2,961	1,175	-	-	1,175
Girls Soccer Regional	3,061	-	-	3,061	-	-	3,061
Girls Soccer-Ser Project	-	-	-	-	-	-	-
Girls Soccer State	-	-	-	-	-	-	-
Golf	61	1,820	1,879	2	-	-	2
Green Dot	536	384	902	18	-	-	18

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL - CONCLUDED
YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCES July 1, 2014	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
Guidance	1,904	10,900	12,798	6	-	-	6
Heartland League	-	1,364	1,364	-	-	-	-
Interact Club	362	-	362	-	-	-	-
Interest	2,687	2,414	701	4,400	-	-	4,400
Junior Class	197	-	-	197	-	-	197
KYA/KUNA	745	32,836	31,584	1,997	-	-	1,997
Kerrick Science	601	-	601	-	-	-	-
Library	1	-	-	1	-	-	1
Lock Fund	226	32	226	32	-	-	32
Mathematics	277	1,115	786	606	-	-	606
Mathematica	2,832	1,600	3,769	663	-	-	663
Parking	963	900	1,698	165	-	-	165
Pep Club	633	2,971	2,786	818	-	-	818
Physical Education	2,815	712	3,527	-	-	-	-
Pictures	121	1,664	63	1,722	-	-	1,722
Project Graduation	1,766	9,035	8,112	2,689	-	-	2,689
Prom	4,440	9,750	6,865	7,325	-	-	7,325
Rewards Program	106	1,932	1,953	85	-	-	85
Rewards-Shirts	-	-	-	-	-	-	-
SADD	30	180	44	166	-	-	166
SADD - Grant	425	-	-	425	-	-	425
SADD - Service Project	16	-	-	16	-	-	16
Science	5,784	5,499	11,283	-	-	-	-
Senior Class	478	30,290	26,284	4,484	-	-	4,484
Social Committee	330	570	900	-	-	-	-
Social Committee (Angel)	26	-	-	26	-	-	26
Social Studies	310	1,921	2,153	78	-	-	78
Softball	1,829	5,171	5,191	1,809	-	-	1,809
Softball Tournament	-	-	-	-	-	-	-
Sophomore Class	395	-	-	395	-	-	395
Spanish Club	670	596	541	725	-	-	725
Spanish Honors	74	-	-	74	-	-	74
Spanish Club-Serv Proj	-	-	-	-	-	-	-
Special Education	1,201	360	-	1,561	-	-	1,561
Special Ed - Jr Achieve	231	125	50	306	-	-	306
Speech	41	385	323	103	-	-	103
STLP	33	-	-	33	-	-	33
Student Assistance Fund	347	-	63	284	-	-	284
Student Vending	476	708	388	796	-	-	796
Student Council	1,091	4,798	4,628	1,261	-	-	1,261
Student Council- Svc proj	-	-	-	-	-	-	-
Sweep	-	8,892	8,859	33	-	-	33
Swimming	1,459	1,500	2,171	788	-	-	788
T-Shirt Sales	702	-	702	-	-	-	-
Target	1,012	1,129	2,076	65	-	-	65
Taylor Family Memorial	-	3,380	1,265	2,115	-	-	2,115
Technical Education	712	1,035	1,747	-	-	-	-
Technology Student Assis	(110)	110	-	-	-	-	-
Tennis	583	2,386	2,372	597	25	-	622
Tennis Camp	253	2,400	1,045	1,608	-	-	1,608
Textbooks	5,763	450	6,103	110	-	-	110
Textbook Rental	2,818	12,595	15,413	-	-	-	-
Track	74	2,030	2,027	77	-	-	77
United Way	-	229	229	-	-	-	-
Volleyball	(217)	6,614	5,737	660	-	-	660
Volleyball-District	-	-	-	-	-	-	-
Volleyball-Camp	794	-	794	-	-	-	-
Winterguard	1,774	3,092	2,243	2,623	-	-	2,623
Wounded Warrior Proj	-	-	-	-	-	-	-
Yearbook	4,565	4,920	5,908	3,577	-	-	3,577
Subtotal	200,219	483,586	480,355	203,450	25	-	203,475
Interfund Transfers		99,611	99,611				
TOTAL	$ 200,219	$ 383,975	$ 380,744	$ 203,450	$ 25	$ -	$ 203,475

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-14	$ 133,423
		7750002-15	487,257
School Breakfast Program	10.553	7760005-14	56,748
		7760005-15	204,041
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	79,803
TOTAL CHILD NUTRITION CLUSTER			961,272
TOTAL U.S. DEPT. OF AGRICULTURE			961,272
U.S. DEPARTMENT OF EDUCATION			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3373	93
		3373C	18
		3373P	36,549
		3374	54,786
		3374C	8,674
		337A	372,352
		337AC	39,036
		337AP	1,108
			512,616
Special Education - Preschool Grants	84.173	3433C	224
		3433P	1,446
		3434	3,228
		3434C	333
		343A	10,202
			15,433
TOTAL SPECIAL EDUCATION CLUSTER			528,049
OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Impact Aid	84.041	GF	19,675
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3104	110,338
		310A	457,615
		310AM	5,258
			573,211
Vocational Education - Basic Grants to States	84.048	348A	22,791
English Language Acquisition Grants	84.365	3454	1,013
		345A	2,454
			3,467
Improving Teacher Quality - State Grants	84.367	401A	66,099
Race to the Top	84.413A	4522	7,432
Passed Through University of Kentucky			
Investing in Innovation (i3) Fund		84.411	1,052
TOTAL U.S. DEPARTMENT OF EDUCATION			1,221,776
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,183,048

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, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elizabethtown Independent School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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 section 510(a) of Circular A-133? _____yes ___X__no

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
	DEPARTMENT OF AGRICULTURE
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch

Dollar threshold used to distinguish
Between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? X yes ____ no

Section II – Financial Statement Findings

No Matters

Section III – Federal Award Findings and Questioned Costs

No Matters

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

There were no prior audit findings.

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

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INDEPENDENT AUDITOR'S REPORT

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, 2015, and the related notes to the financial statements, which collectively comprise Elizabethtown Independent School District's basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Elizabethtown Independent School District in a separate letter dated September 11, 2015.

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.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 11, 2015

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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INDEPENDENT AUDITOR'S REPORT

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 Circular A-133 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, 2015. Elizabethtown Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elizabethtown Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 11, 2015

MANAGEMENT LETTER AND COMMENTS

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Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Elizabethtown Independent School District for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 11, 2015, contains our report on the District's internal control. This letter does not affect our report dated September 11, 2015, on the financial statements of the Elizabethtown Independent School District.

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

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

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 11, 2015

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2015

PRIOR YEAR UNCORRECTED COMMENTS

ELIZABETHTOWN HIGH SCHOOL

INVENTORY CONTROL WORKSHEETS
We noted forms F-SA-5, Inventory Control Worksheets, for Basketball Concessions was completed December-March with ending inventory of $269.00, however remaining counts through June were not completed.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

SEGREGATION OF DUTIES
We noted during the review of the Internal Control Questionnaire, completed by the school's treasurer, that the school's treasurer performs the following duties: enters invoices into the accounting system, prints checks, and matches invoices to checks. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

EXTERNAL SUPPORT/BOOSTER CLUBS
We noted the Athletic Boosters submitted an Annual Financial Report for 2014-2015, however it did not contain signatures and dates by the Treasurer and Principal.

We noted the Band Boosters did not submit an Annual Financial Report for the 2014-2015 fiscal year.

We noted the C.A.S.T. Boosters did not submit 2014-2015 liability insurance.

We noted C.A.S.T. Booster submitted a check register in place of an Annual Financial Report, which contained beginning and ending balances but did not list receipts and expenses by category and lacked signatures and dates by the Treasurer and Principal.

We noted the C.A.S.T. Booster submitted a budget for 2014-2015, however it lacked signatures and dates by the Treasurer and Principal.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

PANTHER ACADEMY

UNTIMELY DEPOSITS
We noted that the deposit made on 10/17/2014, in the amount of $513.00, had ten Multiple Receipt Forms (form F-SA-6) attached totaling $318.00 that were signed by the person remitting the monies on 10/03/2014. Redbook requires monies to be deposited weekly or when they exceed $100.00.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2015

CURRENT YEAR COMMENTS

HELMWOOD HEIGHTS ELEMENTARY SCHOOL

MISSING INVOICE
We noted that check #4625, dated 07/08/2014, written to Wal-Mart in the amount of $47.97 from the Business Incentives Fund was for shelving. There was no receipt attached to the Purchase Order Form, therefore we were unable to determine if the Purchase Order Form was completed before the goods were purchased or if the correct amount was paid.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

UNALLOWED PURCHASE
We noted that check #4729, dated 06/04/2015, written to School Specialty Inc. in the amount of $418.42 from the Picture Fund was for the purchase of dry erase markers and a marker board. Redbook disallows the purchase of operational items from school activity funds.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

FUNDRAISER APPROVAL
We noted during review of fundraisers that the School Pictures and Yearbook Sales fundraisers were school-wide fundraisers, but only approved by the school principal. Redbook requires that school-wide fundraisers be approved by the superintendent as well.

We also noted that the Fundraiser Approval Form (form F-SA-2A) on file for the School Pictures fundraiser indicated that the activity account for the fundraiser was the Business Incentives Fund. Due to the fact that the school has a Picture Fund, the fundraiser did not correspond to the appropriate account.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

MORNINGSIDE ELEMENTARY SCHOOL

FUNDRAISER APPROVAL
We noted during review of fundraisers that the Valentine Grams fundraiser collected $231.70 on 02/12/2015. This receipt corresponded to a Fundraiser Approval Form (form F-SA-2A) that was not signed and approved until 02/25/2015, after the fundraiser had already been held.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

UNTIMELY DEPOSIT
We noted that the deposit dated 5/8/2015 was untimely. The receipt included a Multiple Receipt Form (form F-SA-6) that was originally dated 5/4/2015, but appeared to have been changed to reflect that it was submitted on 5/8/2015. Redbook requires that deposits be made within one business day of the receipt of monies.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2015

T.K. STONE MIDDLE SCHOOL

CREDIT CARD SIGN-IN/OUT LOG
We noted that the school's treasurer signed the Credit Card Sign-In/Out Log (form F-SA-13) on nine separate occasions as the employee checking out the card and as the employee witnessing the return of the card. Redbook requires that a separate employee witness the return of credit cards.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

EXTERNAL SUPPORT/BOOSTER CLUBS
We noted that the Annual Financial Report that was submitted by the Athletic Booster Club was not signed or dated by the school's principal or the organization's treasurer.

We noted that the External Support/Booster Organization Budget (form F-SA-4B) that was submitted by the Athletic Booster Club was not signed or dated by the school's principal or the organization's treasurer.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

FUNDRAISERS
We noted that the that the Report of Ticket Sales Form (form F-SA-1) that was completed for the Spring Concert fundraiser held by the Chorus Fund had the same individual sign-off as being both the ticket seller and ticket taker. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

INVENTORY CONTROL WORKSHEETS
We noted that there was one Inventory Control Worksheet (form F-SA-5) completed for the t-shirt sales during the months of March and April 2015. Redbook requires that Inventory Control Worksheets be completed monthly.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

ELIZABETHTOWN HIGH SCHOOL

TICKET SALES
We noted during review of ticket sales that the Requisition and Report of Ticket Sales Form (F-SA-1) for the softball game held on 8/1/2014 was improperly completed. The forms for both gates did not include signatures of the ticket seller or ticket taker.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2015

ELIZABETHTOWN HIGH SCHOOL – CONTINUED

FUNDRAISER FORMS
We noted during review of fundraisers that the fundraiser "Angels in the Outfield" involving a softball game only included the Requisition and Report of Ticket Sales Form (form F-SA-1). Redbook requires that this type of fundraiser also include the Fundraiser Approval Form (form F-SA-2A), which was not on file.

We also noted that the Archery Shoot-A-Thon only included Multiple Receipt Forms (form F-SA-6) and a Fundraiser Worksheet (form F-SA-2B), and did not have a Fundraiser Approval Form (form F-SA-1) on file.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

PANTHER ACADEMY

UNALLOWABLE PURCHASE
We noted that check #202, dated 05/28/2015, written to Office Max in the amount of $61.32 from the Class Instruction Supply Fund was for the purchase of a toner cartridge. Per conversation with the school's treasurer, this cartridge was for the Office Clerk's printer. Redbook disallow the purchase of operational items from school activity funds.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.

MISSING DEPOSIT SLIP
We noted that the deposit made on 01/15/2015, in the amount of $85.00, did not have a deposit slip from the bank on file.

MANAGEMENT RESPONSE
Management will meet with school personnel to resolve this item by October 31, 2015.