

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2013

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

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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, 2013, 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*, including *Appendix I – Audit Extension Request and Appendix II – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, 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.

As discussed in Note 1 to the financial statements, the District adopted GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53* during the fiscal year.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 39 through 40 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 13, 2013, 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.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 13, 2013

**REQUIRED SUPPLEMENTARY INFORMATION**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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, 2013. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

**FINANCIAL HIGHLIGHTS**

- The beginning cash and investment balance for the District was \$13.9 million. Ending cash and investments were \$15 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 governmental fund balances improved. Fund balances increased by \$586 thousand.
- The General Fund had \$18.2 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 \$18.2 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’s total debt increased during the fiscal year as the 2013 revenue bonds were issued.

**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 and liabilities, 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 10 - 11 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 12 - 20 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 21 - 38 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$18.4 million as of June 30, 2013.

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, 2013 and 2012  
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 15,354,377	\$ 14,753,421	\$ 426,788	\$ 388,179	\$ 15,781,165	\$ 15,141,600
Capital Assets	<u>27,874,490</u>	<u>25,190,369</u>	<u>428,997</u>	<u>494,375</u>	<u>28,303,487</u>	<u>25,684,744</u>
Total Assets	<u>43,228,867</u>	<u>39,943,790</u>	<u>855,785</u>	<u>882,554</u>	<u>44,084,652</u>	<u>40,826,344</u>
Long-term Debt	23,200,486	20,963,024	-	-	23,200,486	20,963,024
Other Liabilities	<u>2,479,998</u>	<u>1,746,586</u>	<u>2,326</u>	<u>4,495</u>	<u>2,482,324</u>	<u>1,751,081</u>
Total Liabilities	<u>25,680,484</u>	<u>22,709,610</u>	<u>2,326</u>	<u>4,495</u>	<u>25,682,810</u>	<u>22,714,105</u>
<b>Net Assets</b>						
Net investment in capital assets	5,122,546	4,453,551	428,997	494,375	5,551,543	4,947,926
Restricted	8,831,517	6,726,831	-	-	8,831,517	6,726,831
Unrestricted	<u>3,594,320</u>	<u>6,053,798</u>	<u>424,462</u>	<u>383,684</u>	<u>4,018,782</u>	<u>6,437,482</u>
<b>Total Net Assets</b>	<u>\$ 17,548,383</u>	<u>\$ 17,234,180</u>	<u>\$ 853,459</u>	<u>\$ 878,059</u>	<u>\$ 18,401,842</u>	<u>\$ 18,112,239</u>

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

The District invested \$4.5 million in capital assets and issued the 2013 revenue bonds.

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2013, net of Interfund transfers, were \$23.9 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3.7 million more than budget or approximately 20%. This variance was related to on-behalf payments that were not budgeted.
- The total cost of all programs and services including debt service was \$25.6 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, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 301,399	\$ 429,046	\$ 345,642	\$ 375,156	\$ 647,041	\$ 804,202
Operating grants and contributions	6,443,425	6,561,889	937,934	918,032	7,381,359	7,479,921
Capital grants and contributions	854,994	771,896	-	-	854,994	771,896
<b>General revenues:</b>						
Property taxes	4,374,474	4,087,716	-	-	4,374,474	4,087,716
Motor vehicle taxes	257,677	247,416	-	-	257,677	247,416
Utility taxes	989,753	1,039,068	-	-	989,753	1,039,068
Revenue in lieu of taxes	108,177					
Investment earnings	170,779	137,821	4,053	5,637	174,832	143,458
State and formula grants	9,293,596	9,112,675	-	-	9,293,596	9,112,675
Miscellaneous	17,711	22,222	-	-	17,711	22,222
<b>Total revenues</b>	<u>22,811,985</u>	<u>22,409,749</u>	<u>1,287,629</u>	<u>1,298,825</u>	<u>23,991,437</u>	<u>23,708,574</u>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	14,075,824	13,015,232	-	-	14,075,824	13,015,232
Student support	753,351	786,982	-	-	753,351	786,982
Instructional staff support	846,592	934,025	-	-	846,592	934,025
District administrative support	563,507	424,741	-	-	563,507	424,741
School administrative support	1,255,781	1,046,496	-	-	1,255,781	1,046,496
Business support	674,801	648,943	-	-	674,801	648,943
Plant operation and maintenance	2,296,948	2,288,398	-	-	2,296,948	2,288,398
Student transportation	677,004	693,815	-	-	677,004	693,815
Community service activities	157,275	157,899	-	-	157,275	157,899
Other	63,687	23,249	-	-	63,687	23,249
Interest costs	1,038,966	1,046,386	-	-	1,038,966	1,046,386
<b>Business-type Activities:</b>						
Food service	-	-	1,255,366	1,270,966	1,255,366	1,270,966
<b>Total expenses</b>	<u>22,403,736</u>	<u>21,066,166</u>	<u>1,255,366</u>	<u>1,270,966</u>	<u>23,659,102</u>	<u>22,337,132</u>
Excess before transfers	408,249	1,343,583	32,263	27,859	440,512	1,371,442
Extraordinary item - KSBIT	(150,909)				(150,909)	-
Transfers	56,863	32,950	(56,863)	(32,950)	-	-
Increase (decrease) in net position	<u>\$ 314,203</u>	<u>\$ 1,376,533</u>	<u>\$ (24,600)</u>	<u>\$ (5,091)</u>	<u>\$ 289,603</u>	<u>\$ 1,371,442</u>

### Governmental Activities

Instruction comprises 63% of governmental program expenses. Support services expenses make up 31% of government expenses. The remaining expense for community services, interest and other expense accounts for the remaining 6% of total government expense.

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

**(Table 3)**  
**Governmental Activities Total**  
**Cost of Services**

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 14,075,824	\$ 13,015,232	\$ 8,300,730	\$ 7,038,204
Support Services	7,067,984	6,823,400	6,147,529	5,966,115
Community Services & Other	220,962	181,148	63,687	24,526
Interest costs	1,038,966	1,046,386	291,972	274,490
<b>Total expenses</b>	<u>\$ 22,403,736</u>	<u>\$ 21,066,166</u>	<u>\$ 14,803,918</u>	<u>\$ 13,303,335</u>

**Net Cost of Services**

**Business-Type Activities**

The business-type activities include the food service operation. This program had total revenues of \$1,287,629 and expenses of \$1,255,366 for fiscal year 2013. Of the revenues, \$345,642 was charges for services, \$937,934 was from State and Federal grants and \$4,053 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 this activity.

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$31.8 million and expenditures and other financing uses of \$31.2 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 \$14.5 million, with actual amounts of \$18.2 million. Budgeted expenditures of \$19.7 million compare with actual expenditures of \$18.2 million. The most significant fluctuation is for unbudgeted on-behalf payments of \$3.3 million.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2013 the School District had \$28.3 million invested in land, buildings, vehicles, equipment and construction in progress and \$27.9 million in governmental activities. Table 4 shows fiscal year 2013 and 2012 balances.

**(Table 4)**  
**Capital Assets at June 30, 2013 and 2012**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$ 376,847	\$ 388,947	\$ -	\$ -	\$ 376,847	\$ 388,947
Buildings and improvements	23,085,887	23,698,508	31,442	36,384	23,117,329	23,734,892
Technology	483,876	443,154	-	-	483,876	443,154
Vehicles	203,468	267,676	-	-	203,468	267,676
General equipment	291,715	316,819	397,555	457,991	689,270	774,810
Total	24,441,793	25,115,104	428,997	494,375	24,870,790	25,609,479
Construction in progress	3,432,697	75,265	-	-	3,432,697	75,265
Total	<u>\$ 27,874,490</u>	<u>\$ 25,190,369</u>	<u>\$ 428,997</u>	<u>\$ 494,375</u>	<u>\$ 28,303,487</u>	<u>\$ 25,684,744</u>

Table 5 shows changes in capital assets for the years ended June 30, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Beginning balance	\$ 25,190,369	\$ 17,066,329	\$ 494,375	\$ 321,091	\$ 25,684,744	\$ 17,387,420
Additions	4,550,465	25,298,893	-	222,735	4,550,465	25,521,628
Retirements	(537,978)	(16,306,268)	-	-	(537,978)	(16,306,268)
Depreciation	(1,328,366)	(868,585)	(65,378)	(49,451)	(1,393,744)	(918,036)
Ending balance	<u>\$ 27,874,490</u>	<u>\$ 25,190,369</u>	<u>\$ 428,997</u>	<u>\$ 494,375</u>	<u>\$ 28,303,487</u>	<u>\$ 25,684,744</u>

### Debt

At June 30, 2013, the School District had \$23.3 million in bonds outstanding, of this amount \$1.7 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$817 thousand is due within one year. The District issued the 2013 revenue bonds.

### 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 consistent 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 continues to grow; however our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property.

Also, the District is facing a liability from the Kentucky School Boards' Insurance Trust of \$151 thousand.

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 2013 - 2014 with a 17.3% 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, 2013

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 10,269,804	\$ 336,916	\$ 10,606,720
Investments	4,419,932		4,419,932
Interfund balances	12,593	(12,593)	-
Inventory		19,345	19,345
Receivables:			
Taxes-current	100,714		100,714
Taxes-delinquent	8,458		8,458
Other receivables	115,167		115,167
Intergovernmental-Indirect Federal	259,445		342,565
<b>Total Current Assets</b>	<b>15,186,113</b>	<b>426,788</b>	<b>15,612,901</b>
<b><u>Noncurrent Assets</u></b>			
Deferred charges	168,264		168,264
Capital assets, net of accumulated depreciation	27,874,490	428,997	28,303,487
<b>Total Noncurrent Assets</b>	<b>28,042,754</b>	<b>428,997</b>	<b>28,471,751</b>
<b>Total Assets</b>	<b>43,228,867</b>	<b>855,785</b>	<b>44,084,652</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	897,099	2,326	899,425
Accrued payroll and related expenses	83,126		83,126
Unearned revenue	153,803		153,803
Bond obligations	817,000		817,000
Capital lease obligations	41,314		41,314
Compensated absences	348,293		348,293
Interest payable	139,363		139,363
<b>Total Current Liabilities</b>	<b>2,479,998</b>	<b>2,326</b>	<b>2,482,324</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	21,943,074		21,943,074
Capital lease obligations	118,820		118,820
Compensated absences	987,683		987,683
KSBIT	150,909		150,909
<b>Total Noncurrent Liabilities</b>	<b>23,200,486</b>	<b>-</b>	<b>23,200,486</b>
<b>Total Liabilities</b>	<b>25,680,484</b>	<b>2,326</b>	<b>25,682,810</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	5,122,546	428,997	5,551,543
Restricted	8,831,517		8,831,517
Unrestricted	3,594,320	424,462	4,018,782
<b>Total Net Position</b>	<b>\$ 17,548,383</b>	<b>\$ 853,459</b>	<b>\$ 18,401,842</b>

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, 2013

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 5,272,127	\$ -	\$ 2,134,997	\$ 2,086,155	\$ 787,505	\$ 10,280,784
Investments				3,494,033	925,899	4,419,932
Due from other funds	12,593					12,593
Receivables:						
Taxes - current	100,714					100,714
Taxes - delinquent	8,458					8,458
Other receivables	115,167					115,167
Intergovernmental - Indirect Federal		259,445				259,445
<b>Total Assets</b>	<u>\$ 5,509,059</u>	<u>\$ 259,445</u>	<u>\$ 2,134,997</u>	<u>\$ 5,580,188</u>	<u>\$ 1,713,404</u>	<u>\$ 15,197,093</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 105,430	\$ 39,237	\$ -	\$ 752,432	\$ -	\$ 897,099
Cash overdraft		10,980				10,980
Accrued payroll and related expenses	83,126					83,126
Unearned revenue		153,803				153,803
<b>Total Liabilities</b>	188,556	204,020	-	752,432	-	1,145,008
<b>Fund Balances</b>						
Restricted	100,000	55,425	2,134,997	4,827,756	1,713,404	8,831,582
Unassigned	5,220,503					5,220,503
<b>Total Fund Balances</b>	<u>5,320,503</u>	<u>55,425</u>	<u>2,134,997</u>	<u>4,827,756</u>	<u>1,713,404</u>	<u>14,052,085</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,509,059</u>	<u>\$ 259,445</u>	<u>\$ 2,134,997</u>	<u>\$ 5,580,188</u>	<u>\$ 1,713,404</u>	<u>\$ 15,197,093</u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2013

Total fund balance per fund financial statements	\$ 14,052,085
Amounts reported for governmental activities in the statement of net assets 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.	27,874,490
Debt issuance charges are reported as expenditures in the governmental funds when first incurred; however, they are included as deferred charges in the statement of net position.	168,264
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 and deferred amounts on refundings)	(22,760,074)
Capital lease obligations	(160,134)
Interest payable	(139,363)
Compensated absences	(1,335,976)
KSBIT	(150,909)
Net position for governmental activities	<u>\$ 17,548,383</u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 3,686,088	\$ -	\$ 688,386	\$ -	\$ -	\$ 4,374,474
Motor vehicle	242,284		15,393			257,677
Utilities	989,753					989,753
Revenue in lieu of taxes	108,177					108,177
Tuition and fees	301,164					301,164
Earnings on investments	114,972	695	16,937	98	38,077	170,779
Other local revenues	177,259	113,352				290,611
Intergovernmental - State	12,583,396	721,425	879,590		417,414	14,601,825
Intergovernmental - Indirect Federal	8,295	1,140,825				1,149,120
Intergovernmental - Direct Federal	21,570	-			546,835	568,405
<b>Total Revenues</b>	<b>18,232,958</b>	<b>1,976,297</b>	<b>1,600,306</b>	<b>98</b>	<b>1,002,326</b>	<b>22,811,985</b>
<b>Expenditures:</b>						
Instruction	11,817,962	1,749,221				13,567,183
Support services:						
Student	717,839	34,732				752,571
Instruction staff	737,074	107,284				844,358
District administrative	523,972					523,972
School administrative	1,255,661					1,255,661
Business	674,326					674,326
Plant operation and maintenance	1,747,076					1,747,076
Student transportation	618,722	6,646				625,368
Community service activities		157,275				157,275
Other non-instruction	70,922					70,922
Facilities acquisition and construction				3,838,170		3,838,170
Bond issuance costs				32,780		32,780
Debt service:						
Principal					593,000	593,000
Interest					921,791	921,791
<b>Total Expenditures</b>	<b>18,163,554</b>	<b>2,055,158</b>	<b>-</b>	<b>3,870,950</b>	<b>1,514,791</b>	<b>25,604,453</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>69,404</b>	<b>(78,861)</b>	<b>1,600,306</b>	<b>(3,870,852)</b>	<b>(512,465)</b>	<b>(2,792,468)</b>
<b>Other Financing Sources (Uses):</b>						
Bond proceeds from revenue bonds				3,345,000		3,345,000
Bond discount				(23,528)		(23,528)
Transfers in	56,863	86,151		4,420,979	1,079,411	5,643,404
Transfers out	(1,546,151)		(3,553,444)		(486,946)	(5,586,541)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,489,288)</b>	<b>86,151</b>	<b>(3,553,444)</b>	<b>7,742,451</b>	<b>592,465</b>	<b>3,378,335</b>
<b>Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>(1,419,884)</b>	<b>7,290</b>	<b>(1,953,138)</b>	<b>3,871,599</b>	<b>80,000</b>	<b>585,867</b>
<b>Fund Balance, July 1, 2012</b>	<b>6,740,387</b>	<b>48,135</b>	<b>4,088,135</b>	<b>956,157</b>	<b>1,633,404</b>	<b>13,466,218</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 5,320,503</b>	<b>\$ 55,425</b>	<b>\$ 2,134,997</b>	<b>\$ 4,827,756</b>	<b>\$ 1,713,404</b>	<b>\$ 14,052,085</b>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2013

Net change in total fund balances per fund financial statements	\$ 585,867
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	2,685,053
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.	(3,288,692)
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.	632,684
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.	(932)
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.	(150,909)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(148,868)</u>
Change in net position of governmental activities	<u>\$ 314,203</u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	<u>Food Service Fund</u>
<b>Assets</b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 336,916
Intergovernmental - Indirect Federal	83,120
Inventory	<u>19,345</u>
<b>Total Current Assets</b>	439,381
<b><u>Noncurrent Assets</u></b>	
Capital assets, net of accumulated depreciation	<u>428,997</u>
<b>Total Noncurrent Assets</b>	<u>428,997</u>
<b>Total Assets</b>	<u>868,378</u>
<b>Liabilities</b>	
<b><u>Current Liabilities</u></b>	
Accounts payable	2,326
Due to other funds	<u>12,593</u>
<b>Total Current Liabilities</b>	<u>14,919</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	428,997
Unrestricted	<u>424,462</u>
<b>Total Net Position</b>	<u><u>\$ 853,459</u></u>

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, 2013

	Food Service Fund
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 345,482
Other operating revenues	160
<b>Total Operating Revenues</b>	<u>345,642</u>
<b>Operating Expenses:</b>	
Salaries and wages	525,598
Materials and supplies	622,548
Depreciation	65,378
Other operating expenses	41,842
<b>Total Operating Expenses</b>	<u>1,255,366</u>
Operating loss	(909,724)
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	789,836
Donated commodities	70,420
State on-behalf payments	65,379
State grants	12,299
Interest income	4,053
<b>Total Non-Operating Revenues (Expenses) before Transfers</b>	<u>941,987</u>
Transfers out	<u>(56,863)</u>
Changes in net position	(24,600)
<b>Net Position, July 1, 2012</b>	<u>878,059</u>
<b>Net Position June 30, 2013</b>	<u><u>\$ 853,459</u></u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from:	
Lunchroom sales	\$ 345,482
Other activities	160
Cash paid to/for:	
Employees	460,219
Supplies	554,097
Other activities	41,842
	<hr/>
<b>Net Cash Used by Operating Activities</b>	(710,516)
<b>Cash flows from Non-Capital Financing Activities</b>	
Federal grants	706,716
State grants	12,299
Transfers out	(56,863)
	<hr/>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	662,152
<b>Cash Flows from Investing Activities</b>	
Receipt of interest income	4,053
	<hr/>
Net decrease in cash and cash equivalents	(44,311)
<b>Balances, beginning of year</b>	<hr/> 381,227
<b>Balances, end of year</b>	<hr/> <b>\$ 336,916</b> <hr/>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (909,724)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	65,378
State on-behalf payments	65,379
Donated commodities	70,420
Change in assets and liabilities:	
Inventory	(2,490)
Accounts payable	(2,169)
Due to other funds	2,690
	<hr/>
<b>Net cash used by operating activities</b>	<hr/> <b>\$ (710,516)</b> <hr/>
<b>Schedule of non-cash transactions:</b>	
Donated commodities received from federal government	<hr/> \$ 70,420
State on-behalf payments	<hr/> <b>\$ 65,379</b> <hr/>

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, 2013

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 202,659	\$ 370,254
Receivables		148
<b>Total Assets</b>	<u>202,659</u>	<u>370,402</u>
<b>Liabilities</b>		
Accounts payable		20,739
Due to student groups		349,663
<b>Total Liabilities</b>	<u>-</u>	<u>370,402</u>
<b>Net Position Held in Trust</b>	<u>\$ 202,659</u>	<u>\$ -</u>

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

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

Year Ended June 30, 2013

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions	\$ 32,037
Net interest and investment gains (losses)	<u>2,053</u>
	34,090
<b>Deductions</b>	
Scholarships paid	<u>(40,225)</u>
Change in net position	(6,135)
<b>Net Position, July 1, 2012</b>	<u>208,794</u>
<b>Net Position, June 30, 2013</b>	<u><u>\$ 202,659</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

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

##### A. REPORTING ENTITY

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

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

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

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

###### Government-wide Financial Statements

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

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

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

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

#### Fund Financial Statements

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

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

#### Governmental Funds

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

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2013

**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) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District’s facility plan.
  
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission’s construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District’s facility plan. This is a major fund.
  
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
  
- (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.

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 one Proprietary Fund. 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.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

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

##### Fiduciary Funds

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

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

##### BASIS OF ACCOUNTING

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

##### Modified Accrual

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

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

## **ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2013

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

##### Accrual

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

##### Revenue Recognition

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

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

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

#### **C. BUDGETARY POLICIES**

##### Budgetary Process

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

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

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

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

#### **D. ENCUMBRANCES**

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2013

**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 not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

**H. CAPITAL ASSETS**

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

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

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### 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 and issuance cost 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 May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 9.

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2011. The adoption of GASB 59 did not have any impact on the District's financial statements.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

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

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 60 in fiscal year 2013. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012 and the District adopted GASB 61 in fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 62 in fiscal year 2013. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, and the District adopted GASB 63 in fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011 and the District adopted GASB 64 in fiscal year 2013. The adoption of GASB 64 does not have any impact on the District's current financial statements.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

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

##### Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 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.

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 is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2013, 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, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

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

In March 2013, 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 is effective for periods beginning after June 15, 2013. 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, 2013, to finance operations were \$.671 per \$100 valuation for real property, \$.671 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, 2013, \$12,299,636 of the District's bank balance of \$12,549,636 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, 2013, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Average Credit Quality/Ratings (1)</u>	<u>Less Than 1</u>
Money Market Mutual Funds	\$ 3,741,197	Not Rated	\$ 3,741,197
World Bank Discount Note	678,735	AAA	332,269
Total Investments	<u>\$ 4,419,932</u>		<u>\$ 4,073,466</u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**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	\$ 51,151
General	Special Revenue	Lead the Way	35,000
General	Construction	Construction	1,460,000
SEEK Capital Outlay	Construction	Construction	486,946
FSPK Fund	Construction	Construction	2,474,033
FSPK Fund	Debt Service	Debt Service	1,079,411
Food Service	General	Indirect Costs	56,863

**Government Wide Financial Statements**

Food Service	General	Indirect Costs	56,863
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The Food Service fund also owed the General Fund \$12,593 for indirect costs at year-end.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Non-Depreciable Assets:</b>				
Land	\$ 267,795	\$ -	\$ -	\$ 267,795
Construction in progress	75,265	3,894,478	(537,046)	3,432,697
<b>Depreciable Assets:</b>				
Land improvements	568,233			568,233
Buildings and improvements	35,223,002	440,849		35,663,851
Technology equipment	1,420,029	206,668	(44,084)	1,582,613
Vehicles	1,286,430			1,286,430
General equipment	929,617	8,470		938,087
Totals at historical cost	39,770,371	4,550,465	(581,130)	43,739,706
<b>Accumulated depreciation:</b>				
Land improvements	447,081	12,100		459,181
Buildings and improvements	11,524,494	1,053,470		12,577,964
Technology equipment	976,875	165,014	(43,152)	1,098,737
Vehicles	1,018,754	64,208		1,082,962
General equipment	612,798	33,574		646,372
Total accumulated depreciation	14,580,002	1,328,366	(43,152)	15,865,216
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 25,190,369</b>	<b>\$ 3,222,099</b>	<b>\$ (537,978)</b>	<b>\$ 27,874,490</b>
<b>Business-Type Activities</b>				
Buildings and improvements	\$ 339,450	\$ -	\$ -	\$ 339,450
Technology equipment	2,860		(1,714)	1,146
Food service equipment	994,949			994,949
Totals at historical cost	1,337,259	-	(1,714)	1,335,545
<b>Accumulated depreciation:</b>				
Buildings and improvements	303,066	4,942		308,008
Technology equipment	2,860		(1,714)	1,146
Food service equipment	536,958	60,436		597,394
Total accumulated depreciation	842,884	65,378	(1,714)	906,548
<b>Business-Type Activities Capital Assets - Net</b>	<b>\$ 494,375</b>	<b>\$ (65,378)</b>	<b>\$ -</b>	<b>\$ 428,997</b>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 722,847
Student support	780
Instructional staff	2,234
District administration	401
School administration	120
Business support	476
Plant	549,872
Transportation	51,636
	<u>\$ 1,328,366</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**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, 2013, is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
Revenue bonds	\$ 20,537,000	\$ 3,345,000	\$ 593,000	\$ 23,289,000	\$ 817,000
Capital leases	199,818		39,684	160,134	41,314
	20,736,818	3,345,000	632,684	23,449,134	858,314
Less Discount	(223,254)	(23,528)	23,749	(223,033)	-
Less Deferred Amount on Refundings	(361,222)		55,329	(305,893)	-
Total Bonds and Leases Payable	20,152,342	3,321,472	711,762	22,920,208	858,314
Other Liabilities:					
Compensated absences	1,296,843	170,913	131,780	1,335,976	348,293
Claims	-	150,909	-	150,909	-
Total Other Liabilities	1,296,843	321,822	131,780	1,486,885	348,293
Total Governmental Activities Long-Term Liabilities	<u>\$ 21,449,185</u>	<u>\$ 3,643,294</u>	<u>\$ 843,542</u>	<u>\$ 24,407,093</u>	<u>\$ 1,206,607</u>

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

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

Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998	\$ 850,000	4.25% - 4.95%
2003R	1,605,000	1.05% - 3.10%
2003 EHS	4,510,000	1.00% - 4.85%
2005A REF	1,870,000	2.80% - 3.65%
2005B REF	589,000	2.80% - 3.65%
2010 BAB	4,740,000	0.80% - 5.75%
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%

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 March 1, 2013, the District issued \$3,345,000 in 2013 Series Revenue Bonds with an average interest rate of 1.99 percent for construction. The net proceeds of \$3,288,692 (after \$23,528 in cost of issuance and \$32,780 of discount and \$12,091 of interest) were deposited in the Construction Fund.

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, 2013, for debt service (principal and interest) are as follows:

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>SFCC Participation</u>	<u>U.S. Government Participation</u>	<u>District's Portion</u>
2014	\$ 817,000	\$ 959,588	\$ 133,417	\$ 571,661	\$ 1,071,510
2015	825,000	940,276	117,628	571,610	1,076,038
2016	849,000	918,138	117,631	571,545	1,077,962
2017	798,000	892,573	101,138	571,412	1,018,023
2018	800,000	878,329	81,427	571,206	1,025,696
2019-2023	4,290,000	4,133,263	243,279	2,849,052	5,330,932
2024-2028	3,315,000	3,631,334	34,049	2,797,280	4,115,005
2029-2031	11,595,000	480,585	1,004,080	323,667	10,747,838
	<u>\$ 23,289,000</u>	<u>\$ 12,834,086</u>	<u>\$ 1,832,649</u>	<u>\$ 8,827,433</u>	<u>\$ 25,463,004</u>

Capital Lease Liabilities

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

Classes of Property

Buses

Gross amount of assets	\$363,473
Accumulated amortization	254,431

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, 2013:

2014	47,316
2015	47,447
2016	40,134
2017	40,134
Total minimum lease payments	175,031
Less: Amount representing interest	(14,897)
Present Value of Net Minimum Lease Payments	<u>\$ 160,134</u>

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

The Elizabethtown Independent School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS 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 report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

##### Funding Policy

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% of annual covered payroll. The rate for CERS fiscal year 2013 is 19.55% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$559,217, \$526,984 and \$448,714, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$1,225,789 to KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$90,788.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits such as pension and health care costs, and other operating costs, for the year ended June 30, 2013 was \$3,289,800 for governmental funds and \$65,379 for proprietary funds.

##### Medical Insurance Plan

*Plan Description* — In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS medical insurance fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

## ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Funding Policy

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2013 fiscal year.

##### 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, 2013, 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, 2013, the District had \$100,000 restricted for sick leave in the general fund, \$55,360 restricted for grants in the special revenue fund, \$2,134,997 restricted for capital projects in the FSPK Fund, \$4,827,756 restricted for capital projects in the Construction Fund, \$787,505 restricted for capital projects in the SEEK Capital Outlay Fund and \$925,899 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 no commitments at June 30, 2013.

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, 2013.

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

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2013

**NOTE 9 – FUND BALANCES – CONTINUED**

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

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

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

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

The District has commitments related to construction projects at June 30, 2013.

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 \$150,903. This estimate is recorded because the payment is probable and reasonably estimable. The estimate is recorded as a noncurrent liability in the Statement of Net Position as it is not expected to be paid by June 30, 2014, and as an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

**NOTE 11 – DEFICIT OPERATING BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 1,419,819
FSPK Fund	1,953,138
SEEK Capital Outlay Fund	264,357
Food Service Fund	24,600

**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, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 3,263,407	\$ 3,405,407	\$ 3,686,088
Motor vehicle	204,609	216,609	242,284
Utilities	1,030,000	1,030,000	989,753
Revenue in lieu of taxes	111,000	111,000	108,177
Tuition and fees	350,000	350,000	301,164
Earnings on investments	85,000	85,000	114,972
Other local revenues	1,000	1,000	177,259
Intergovernmental - State	8,978,276	9,285,501	12,583,396
Intergovernmental - Indirect Federal			8,295
Intergovernmental - Direct Federal	6,000	6,000	21,570
	<u>14,029,292</u>	<u>14,490,517</u>	<u>18,232,958</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
Instruction	9,061,568	9,098,607	11,817,962
Support services:			
Student	612,456	615,885	717,839
Instruction staff	619,450	624,529	737,074
District administrative	526,950	509,950	523,972
School administrative	931,580	939,855	1,255,661
Business	697,773	693,973	674,326
Plant operation and maintenance	1,629,641	1,655,461	1,747,076
Student transportation	582,517	592,517	618,722
Community service activities			
Other non-instruction	3,814,765	4,942,126	70,922
	<u>18,476,700</u>	<u>19,672,903</u>	<u>18,163,554</u>
<b>Total Expenditures</b>			
<b>Excess (Deficit) of Revenues over Expenditures</b>	(4,447,408)	(5,182,386)	69,404
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of capital assets			
Capital lease proceeds			
Transfers in	52,000	52,000	56,863
Transfers out	(50,000)	(50,000)	(1,546,151)
	<u>2,000</u>	<u>2,000</u>	<u>(1,489,288)</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	(4,445,408)	(5,180,386)	(1,419,884)
<b>Fund Balance, July 1, 2012</b>	<u>4,445,408</u>	<u>5,180,386</u>	<u>6,740,387</u>
<b>Fund Balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,320,503</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$3,289,800.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

SPECIAL REVENUE FUND

Year Ended June 30, 2013

	Original	Final	Actual
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ -	\$ 695
Other local revenues		18,000	113,352
Intergovernmental - State	384,941	700,056	721,425
Intergovernmental - Indirect Federal	442,690	1,133,560	1,140,825
<b>Total Revenues</b>	<b>827,631</b>	<b>1,851,616</b>	<b>1,976,297</b>
<b>Expenditures:</b>			
Instruction	789,223	1,575,175	1,749,221
Support services:			
Student	16,611	61,890	34,732
Instruction staff	65,650	90,423	107,284
Student transportation	6,147	6,853	6,646
Community service activities		157,275	157,275
<b>Total Expenditures</b>	<b>877,631</b>	<b>1,891,616</b>	<b>2,055,158</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>(50,000)</b>	<b>(40,000)</b>	<b>(78,861)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	50,000	40,000	86,151
<b>Total Other Financing Sources (Uses)</b>	<b>50,000</b>	<b>40,000</b>	<b>86,151</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>7,290</b>
<b>Fund Balance, July 1, 2012</b>	<b>-</b>	<b>-</b>	<b>48,135</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,425</b>

**SUPPLEMENTARY INFORMATION**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 787,505	\$ -	\$ 787,505
Investments		925,899	925,899
	<u>787,505</u>	<u>925,899</u>	<u>1,713,404</u>
<b>Total Assets</b>	<u>\$ 787,505</u>	<u>\$ 925,899</u>	<u>\$ 1,713,404</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Restricted	787,505	925,899	1,713,404
	<u>787,505</u>	<u>925,899</u>	<u>1,713,404</u>
<b>Total Fund Balances</b>	<u>787,505</u>	<u>925,899</u>	<u>1,713,404</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 787,505</u>	<u>\$ 925,899</u>	<u>\$ 1,713,404</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2013

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
From local sources:			
Earnings on investments	\$ 5,334	\$ 32,743	\$ 38,077
Intergovernmental - State	217,255	200,159	417,414
Intergovernmental - Direct federal		546,835	546,835
<b>Total Revenues</b>	222,589	779,737	1,002,326
<b>Expenditures</b>			
Debt service:			
Principal		593,000	593,000
Interest		921,791	921,791
<b>Total Expenditures</b>	-	1,514,791	1,514,791
<b>Excess (Deficit) of Revenues over Expenditures</b>	222,589	(735,054)	(512,465)
Other Financing Sources (Uses)			
Transfers in		1,079,411	1,079,411
Transfers out	(486,946)		(486,946)
<b>Total Other Financing Sources (Uses)</b>	(486,946)	1,079,411	592,465
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	(264,357)	344,357	80,000
<b>Fund balance, July 1, 2012</b>	1,051,862	581,542	1,633,404
<b>Fund balance, June 30, 2013</b>	<u>\$ 787,505</u>	<u>\$ 925,899</u>	<u>\$ 1,713,404</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2013

	<u>Panther Academy</u>	<u>Helmwood Heights Elementary</u>	<u>Morningside Elementary</u>	<u>T.K. Stone Middle School</u>	<u>Elizabethtown High School</u>	<u>Total Agency Fund</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 6,242	\$ 20,529	\$ 107,338	\$ 57,690	\$ 178,455	\$370,254
Receivables	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>88</u>	<u>148</u>
<b>Total Assets</b>	<u>\$ 6,242</u>	<u>\$ 20,529</u>	<u>\$ 107,398</u>	<u>\$ 57,690</u>	<u>\$ 178,543</u>	<u>\$370,402</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 5,098	\$ 10,729	\$ 4,147	\$ 765	\$ 20,739
Due to student groups	<u>6,242.00</u>	<u>15,431</u>	<u>96,669</u>	<u>53,543</u>	<u>177,778</u>	<u>349,663</u>
<b>Total Liabilities</b>	<u>\$ 6,242</u>	<u>\$ 20,529</u>	<u>\$ 107,398</u>	<u>\$ 57,690</u>	<u>\$ 178,543</u>	<u>\$370,402</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2013**

<u>SCHOOL</u>	<u>CASH BALANCES July 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCES June 30, 2013</u>	<u>RECEIVABLES June 30, 2013</u>	<u>ACCOUNTS PAYABLE June 30, 2013</u>	<u>DUE TO STUDENT GROUPS June 30, 2013</u>
Elizabethtown High	\$ 162,197	\$ 343,169	\$ 326,911	\$ 178,455	\$ 88	\$ 765	\$ 177,778
Helmwood Elementary	19,985	49,779	49,235	20,529	-	5,098	15,431
Morningside Elementary	126,415	182,414	201,491	107,338	60	10,729	96,669
Panther Academy	-	24,176	17,934	6,242	-	-	6,242
T.K. Stone Middle	62,439	155,205	159,954	57,690	-	4,147	53,543
	<u>\$ 371,036</u>	<u>\$ 754,743</u>	<u>\$ 755,525</u>	<u>\$ 370,254</u>	<u>\$ 148</u>	<u>\$ 20,739</u>	<u>\$ 349,663</u>

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**ELIZABETHTOWN HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2013**

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
Academic Team	\$ 20	\$ 240	\$ 157	\$ 103	\$ -	\$ -	\$ 103	
Adult Vending	438	873	1,019	292	-	-	292	
Agendas	454	10	-	464	-	-	464	
AP Chemistry	122	-	122	-	-	765	(765)	
AP Social Studies	199	620	591	228	-	-	228	
Art Club	111	1,000	575	536	-	-	536	
Athletic Concessions	6,533	14,648	15,034	6,147	-	-	6,147	
Athletic Fees	16,374	34,922	27,106	24,190	-	-	24,190	
Athletic Gate	44,814	47,255	47,114	44,955	-	-	44,955	
Athletics	4,387	9,928	11,592	2,723	-	-	2,723	
Band	257	-	-	257	-	-	257	
Baseball	1,346	9,020	10,249	117	-	-	117	
Baseball Camp	85	1,370	1,455	-	-	-	-	
Baseball Regional	993	-	993	-	-	-	-	
Belle	7,522	5,399	6,954	5,967	-	-	5,967	
Beta Club	439	2,360	2,037	762	-	-	762	
Beta Club Service Proj	44	-	-	44	-	-	44	
Beta-Service Proj #2	-	2,542	2,542	-	-	-	-	
Boy's Basketball	1,144	13,230	12,813	1,561	-	-	1,561	
Boy's Basketball Camp	891	2,815	3,074	632	-	-	632	
Boy's Basketball District	1,567	-	1,567	-	-	-	-	
Boy's Soccer	127	7,282	7,303	106	-	-	106	
Boy's Soccer Camp	1,448	2,115	3,330	233	-	-	233	
Boys Soccer Service Proj	-	1,000	1,000	-	-	-	-	
Boys Soccer Tournament	-	4,279	4,277	2	-	-	2	
Broadcasting	938	100	101	937	-	-	937	
Building Rental	700	3,988	2,855	1,833	-	-	1,833	
Business Education	874	535	20	1,389	-	-	1,389	
Cheerleader Club	19	-	-	19	-	-	19	
Cheerleading Clinic	792	-	-	792	-	-	792	
Cheerleading	106	1,659	702	1,063	-	-	1,063	
Chorus	1,318	6,581	5,071	2,828	-	-	2,828	
Chorus-Piano Restoration	-	300	-	300	-	-	300	
Class of 1960	174	-	-	174	-	-	174	
Class of 2005	1,000	-	-	1,000	-	-	1,000	
Community Donations	1,143	-	-	1,143	-	-	1,143	
Cross Country Club	28	1,500	1,475	53	-	-	53	
Dow Corning	64	-	-	64	-	-	64	
Drama	614	110	620	104	-	-	104	
EEF-Etown Ed Foundation	174	8,338	5,896	2,616	-	-	2,616	
Engineering	-	49,923	49,823	100	-	-	100	
English	454	3,197	2,971	680	-	-	680	
English-GE	-	500	25	475	-	-	475	
FCA	643	180	70	753	-	-	753	
Football	481	16,971	16,983	469	-	-	469	
Freshman Class	94	-	36	58	-	-	58	
Fund for the Arts	52	-	-	52	-	-	52	
Future Business Leaders	729	-	-	729	-	-	729	
Gifted and Talented	332	390	155	567	-	-	567	
Girl's Basketball	1,727	9,383	6,361	4,749	-	-	4,749	
Girl's Basketball Camp	136	4,490	4,220	406	-	-	406	
Girl's Basketball Dist	-	-	-	-	-	-	-	
Girl's Soccer	1,122	8,929	6,386	3,665	-	-	3,665	
Girl's Soccer Camp	3,261	2,115	761	4,615	-	-	4,615	
Girls Soccer Regional	1,081	-	-	1,081	-	-	1,081	
Girls Soccer-Ser Project	-	-	-	-	-	-	-	
Girls Soccer State	-	3,164	3,164	-	-	-	-	
Golf	205	1,649	1,813	41	-	-	41	
Green Dot	208	250	81	377	-	-	377	
Guidance	546	11,657	10,816	1,387	-	-	1,387	

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**ELIZABETHTOWN HIGH SCHOOL - CONCLUDED**  
**YEAR ENDED JUNE 30, 2013**

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013	June 30, 2013			
Interact Club	362	-	-	362	-	-	-	362
Interest	755	1,899	791	1,863	-	-	-	1,863
Junior Class	200	-	3	197	-	-	-	197
KUNA Service Project	-	21,572	21,360	212	-	-	-	212
Kerrick Science	601	-	-	601	-	-	-	601
Library	161	-	-	161	-	-	-	161
Lock Fund	140	54	-	194	-	-	-	194
Mathematics	146	735	691	190	-	-	-	190
Parking	529	414	-	943	-	-	-	943
Pep Club	2,277	7,000	6,517	2,760	-	-	-	2,760
Physical Education	2,879	744	-	3,623	-	-	-	3,623
Pictures	399	1,700	1,480	619	-	-	-	619
Project Graduation	4,312	7,202	9,075	2,439	-	-	-	2,439
Prom	4,026	6,749	6,557	4,218	-	-	-	4,218
Rewards Program	645	1,610	406	1,849	-	-	-	1,849
Rewards-Shirts	-	1,283	1,283	-	-	-	-	-
SADD	330	713	861	182	-	-	-	182
SADD - Grant	425	-	-	425	-	-	-	425
SADD - Service Project	-	134	118	16	-	-	-	16
Science	5,589	6,098	7,349	4,338	-	-	-	4,338
Senior Class	268	3,073	2,077	1,264	-	-	-	1,264
Social Committee	52	925	714	263	-	-	-	263
Social Committee (Angel)	26	-	-	26	-	-	-	26
Social Studies	-	868	868	-	-	-	-	-
Softball	732	7,969	8,392	309	88	-	-	397
Softball Tournament	-	2,206	2,206	-	-	-	-	-
Sophomore Class	395	-	-	395	-	-	-	395
Spanish Club	352	750	695	407	-	-	-	407
Spanish Honors	39	35	-	74	-	-	-	74
Spanish Club-Serv Proj	-	1,240	1,240	-	-	-	-	-
Special Education	1,684	75	271	1,488	-	-	-	1,488
Special Ed - Jr Achieve	388	-	157	231	-	-	-	231
Speech	858	1,015	1,311	562	-	-	-	562
STLP	33	-	-	33	-	-	-	33
Student Assistance Fund	900	-	553	347	-	-	-	347
Student Vending	1,582	881	1,872	591	-	-	-	591
Student Council	2,395	2,629	2,636	2,388	-	-	-	2,388
Student Council (Svc proj)	-	86	86	-	-	-	-	-
Swimming	2,157	1,500	1,768	1,889	-	-	-	1,889
T-Shirt Sales	1,110	2,174	2,011	1,273	-	-	-	1,273
Target	80	768	690	158	-	-	-	158
Technical Education	5	635	113	527	-	-	-	527
Tennis	298	1,860	1,542	616	-	-	-	616
Tennis Camp	1,980	1,950	1,979	1,951	-	-	-	1,951
Textbooks	6,819	12,185	12,870	6,134	-	-	-	6,134
Track	303	1,500	1,579	224	-	-	-	224
Volleyball	312	5,165	5,213	264	-	-	-	264
Volleyball-District	-	1,869	1,869	-	-	-	-	-
Volleyball-Camp	-	1,950	1,005	945	-	-	-	945
Wounded Warrior Proj	-	2,147	2,147	-	-	-	-	-
Yearbook	7,323	4,995	5,252	7,066	-	-	-	7,066
Subtotal	162,197	415,174	398,916	178,455	88	765	177,778	
Interfund Transfers	-	72,005	72,005	-	-	-	-	
<b>TOTAL</b>	<b>\$ 162,197</b>	<b>\$ 343,169</b>	<b>\$ 326,911</b>	<b>\$ 178,455</b>	<b>\$ 88</b>	<b>\$ 765</b>	<b>\$ 177,778</b>	

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2013**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-12	\$ 116,698
		7750002-13	442,299
School Breakfast Program	10.553	7760005-12	48,043
		7760005-13	182,797
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	<u>70,420</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>860,257</u>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<u>860,257</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3372	95,845
		3372C	26,385
		3372P	2,820
		3373	319,603
		3373C	<u>54,908</u>
			<u>499,561</u>
Special Education - Preschool Grants	84.173	3432	5,849
		3432C	1,727
		3433	6,186
		3433C	<u>192</u>
			<u>13,954</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>			<u>513,515</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.410	GF	<u>21,570</u>
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3102	80,479
		3103	<u>416,716</u>
			<u>497,195</u>
Vocational Education - Basic Grants to States	84.048	3482	55
		3483	<u>20,591</u>
			<u>20,646</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	4060	<u>208</u>
Educational Technology State Grants	84.318	4251	<u>1,658</u>
English Language Acquisition Grants	84.365	3451	209
		3452	3,071
		3453	<u>43</u>
			<u>3,323</u>
Improving Teacher Quality - State Grants	84.367	4012	624
		4013	<u>90,796</u>
			<u>91,420</u>
Education Jobs	84.410	4411	<u>3,658</u>
Race to the Top	84.413A	4521	<u>4,871</u>
Passed Through Cabinet for Workforce Development			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	3763	<u>6,988</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,165,052</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,025,309</u>

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, 2013

#### **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, 2013. 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 assets 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, 2013**

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**Section I-Summary of Auditor's Results**

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**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

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**Section I-Summary of Auditor's Results - Continued**

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Identification of major programs:

CFDA Number	Federal Program or Cluster
	<b>DEPARTMENT OF AGRICULTURE</b>
	<b>Child Nutrition Cluster</b>
10.555	National School Lunch Program
10.553	School Breakfast Program
	<b>DEPARTMENT OF EDUCATION</b>
	<b>Special Education Cluster</b>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee?  yes  no

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**Section II – Financial Statement Findings**

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**No Matters**

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**Section III – Federal Award Findings and Questioned Costs**

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**No Matters**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2013

There were no prior audit findings.

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

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



**STILES, CARTER & ASSOCIATES, P.S.C.**

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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 in Appendices I and II of 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, 2013, 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 13, 2013.

### 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 13, 2013.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 13, 2013

**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**

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
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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, 2013. 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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and 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, 2013.

## 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.

  
Certified Public Accountants  
Elizabethtown, Kentucky  
September 13, 2013

**MANAGEMENT LETTER AND COMMENTS**

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



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Elizabethtown Independent School District  
Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Elizabethtown Independent School District for the year ended June 30, 2013, 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 13, 2013, contains our report on the District's internal control. This letter does not affect our report dated September 13, 2013, on the financial statements of the Elizabethtown Independent School District.

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

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

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

Certified Public Accountants  
Elizabethtown, Kentucky  
September 13, 2013

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

**COMMENTS**

June 30, 2013

**SECOND YEAR UNCORRECTED COMMENTS**

**HELMWOOD HEIGHTS ELEMENTARY**

**MULTIPLE RECEIPT FORMS**

We noted a deposit of \$245.00, dated 12/04/12, for receipts collected from 5<sup>th</sup> graders contained the following individual F-SA-6, Multiple Receipt Forms, without student signatures or initials but instead were completed by the sponsor collecting the funds: \$70.00 for field trip fees, \$20.00 for field trip fees, \$50.00 for field trip fees, \$35.00 for field day t-shirt sales, \$5.00 for field day t-shirt sales and \$10.00 for field day t-shirt sales. We also noted a deposit of \$285.00, dated 4/29/13, with receipts of \$50.00 for the Third Grade DDP field trip contained an F-SA-6, Multiple Receipt Form, without student signatures or initials but instead were completed by the sponsor collecting the funds.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**T K STONE MIDDLE SCHOOL**

**INVENTORY CONROL**

We noted a F-SA-5, Inventory Control Worksheet, for athletic concessions was not completed but instead had attached a written record of costs by date and vendor.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**UNCORRECTED PRIOR YEAR COMMENTS**

**T K STONE MIDDLE SCHOOL**

**SEGREGATION OF DUTIES**

We noted the school's bookkeeper prints vendor checks and matches those checks to invoices resulting in a lack of segregation of duties.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**FUNDRAISERS**

We noted the following fundraisers with F-SA-2B, Fundraiser Worksheets, that did not list a total count of items to be sold or total count of unsold items, but instead only listed receipts and expenses: the school-wide (Fall T-shirt/Sweatshirt) fundraiser and the Athletics (Sale of Passes) fundraiser.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMMENTS – CONTINUED

June 30, 2013

**CURRENT YEAR COMMENTS**

**HELMWOOD HEIGHTS ELEMENTARY**

**CREDIT CARD**

We noted the F-SA-13, Credit Card Sign In/Out Form, for the Wal-Mart card without the account number of the card documented.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**FUNDRAISERS**

We noted the F-SA-2A, Fundraiser Approval Form, for the Business Incentive Fund (Pride Sales) was dated 8/20/12 but this fundraiser had an F-SA-2B, Fundraiser Worksheet, that was dated 8/03/12.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**MORNINGSIDE ELEMENTARY SCHOOL**

**INDIVIDUAL ACTIVITY BUDGETS**

We noted all activity funds' F-SA-4A, Individual Activity Budget Worksheets, were dated April 30th, 15 days after the Redbook required date of April 15th.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**MULTIPLE RECEIPT FORM**

We noted the following deposits collected from students in the third, fourth and fifth grades by the Yearbook Fund Sponsor, for yearbook sales, without student signatures or initials on the F-SA-6, Multiple Receipt Form but instead were filled out by the sponsor collecting the funds: deposit of \$252.00, dated 2/4/2013 with receipts of \$132.00 and deposit of \$399, dated 5/13/2013 with receipts of \$309.00.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMMENTS – CONTINUED

June 30, 2013

**PANTHER ACADEMY**

**FUNDRAISERS**

We noted neither a F-SA-2A, Fundraiser Approval Form, nor a F-SA-2B, Fundraiser Worksheet, was completed for any of the fundraisers held at the school.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**INDIVIDUAL ACTIVITY BUDGET**

We noted F-SA-4A, Individual Activity Budget Worksheets, were dated May 1<sup>st</sup>, 16 days after the Redbook required date of April 15<sup>th</sup>.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**UNALLOWABLE TRANSFER**

We noted a transfer of \$500.00, dated 5/6/13, from the Run for the Roses Fund (a school-wide fundraiser) to the Refreshments-Teacher activity fund to cover the purchase of refreshments and supplies for Teacher Appreciation Week which is not allowed since the Redbook allows only staff generated funds to purchase these items.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**MULTIPLE RECEIPT FORMS**

We noted a deposit of \$4,721.38, dated 9/28/12, for Walk-A-Thon collections, with F-SA-6, Multiple Receipt Forms, not dated or signed by either the school's bookkeeper or the sponsor collecting the receipts: receipts of \$785.00, \$459.00, \$17.00 and \$68.00. For this same deposit, we also noted F-SA-6, Multiple Receipt Forms, that were not signed by the school's bookkeeper and not dated by either the bookkeeper or the sponsor collecting the receipts: receipts of \$421.05, \$257.60, \$661.00, \$432.28, \$10.00, \$60.00, \$473.47, \$569.00 and \$233.05. We also noted a deposit of \$3,007.29, dated 3/1/13 listing cash collections of \$2,225.41 on the deposit slip for Bookfair collections without documentation of the date the funds were turned in to the office or the person responsible for turning in the funds.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMMENTS – CONTINUED

June 30, 2013

**PANTHER ACADEMY – CONTINUED**

**UNALLOWABLE PURCHASES**

We noted the following checks written out the Panther Club Activity Fund for staff purchases which is not allowed since the Redbook allows only staff generated funds to purchase these items: check #8 in the amount of \$370.50, dated 12/21/12, written to Brenda Macy to purchase ornaments for staff and check #48 in the amount of \$17.83, dated 5/6/13, written to Doug Frederick for a staff meeting. We also noted check #39 in the amount of \$47.00, written to E-Town Paint for paint and supplies for wall murals out of the Panther Club Activity Fund which is not allowed since the Redbook does not allow maintenance of school facilities or buildings to be paid out of school activity funds.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**PURCHASE ORDER**

We noted check #48 in the amount of \$17.83, dated 5/6/13, written to Doug Frederick to reimburse supplies purchased for a staff meeting with F-SA-8, Purchase Order, dated 4/22/13, five days after the invoice date of 4/17/13.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**T K STONE MIDDLE SCHOOL**

**UNALLOWABLE PURCHASES**

We noted a total of fourteen checks were written to McKinney Locksmith, totaling \$349.67, for replacement keys of various locations within the school building and athletic facilities. We also noted check #11180 in the amount of \$130.14, dated 10/30/12, written to Lowes from the General Fund to purchased blinds for the office and check #11394 in the amount of \$142.66, dated 3/4/13, written to Lowes from the General Fund to purchase trash cans and screws. The Redbook does not allow maintenance of school facilities or buildings to be paid out of school activity funds

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**CASH ADVANCES**

We noted check #11352 in the amount of \$100.00, dated 2/11/13, to pay for meals for attending a football coaches' conference violating the Redbook policy that a club sponsor/teacher may receive cash advances only if there are students participating in a class trip or outing. We also noted check #11424 in the amount of \$100.00, dated 3/22/13, for student meals on the 8<sup>th</sup> Grade Washington DC trip, without a F-SA-9, Expense Report, or vendor receipts for meals purchased.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT**

COMMENTS – CONTINUED

June 30, 2013

**T K STONE MIDDLE SCHOOL – CONTINUED**

**MULTIPLE RECEIPT FORMS**

We noted the following deposits with F-SA-6, Multiple Receipt Forms, without student signatures or initials but instead were completed by the sponsor collecting the funds: deposit of \$375.00, dated 8/29/12, for sales of athletic passes and a deposit of \$198.99, dated 5/28/13 for lost library book fees.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**ELIZABETHTOWN HIGH SCHOOL**

**NEGATIVE BALANCE**

We noted that after recording the accounts payable amount listed on F-SA-15B, Annual Financial Report Detail, for AP Chemistry travel, the AP Chemistry Activity Fund had a negative balance of \$765.00.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**INVENTORY CONTROL**

We noted F-SA-5, Inventory Control Worksheets, were not completed for T-Shirt or Spirit Wear sales.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.

**UNALLOWABLE PURCHASE**

We noted check #13707 in the amount of \$200.33, dated 3/18/13, written to the athletic director for mileage and meal reimbursements of which the following meals were in excess of the District's per diem policy of \$8.00 for breakfast, \$9.00 for lunch and \$19.00 for dinner: breakfast receipt for \$10.90, dated 3/7/13, \$2.90 in excess of board approved rate, dinner receipt for \$23.50, dated 3/07/13, \$4.50 in excess of board approved rate, lunch receipt for \$10.75, dated 3/08/13, \$1.75 in excess of board approved rate and a breakfast receipt for \$10.45, dated 3/10/13, \$2.45 in excess of board approved rate.

**MANAGEMENT RESPONSE**

Management will meet with school personnel and have corrective actions taken by September 30, 2013.