ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2017

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elizabethtown Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, 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.

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Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2017, the District adopted Governmental Accounting Standards Board Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* Statement 77, *Tax Abatement Disclosures.* Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14,* and Statement 81, *Irrevocable Split-Interest Agreements.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10, budgetary comparison information on pages 47 to 48, schedule of proportionate share of the net pension liability on pages 49 to 50 and schedule of contributions on pages 51 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elizabethtown Independent School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2017, on our consideration of Elizabethtown Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elizabethtown Independent School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2017

REQUIRED SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT – ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

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, 2017. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the District was $11.6 million. Ending cash and investments were $11.9 million.
- Following the completion of the District long-range plan for facilities, there is a focus on investing in plant management with the age and size of our facilities reflective of this need.
- The District's General Fund fund balance improved. Fund balance increased by $153 thousand.
- The General Fund had $20.4 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were $20.1 million in General Fund expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was $16.1 million as of June 30, 2017.

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, 2017 and 2016
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	$ 11,544,616	$ 11,878,772	$ 566,701	$ 531,553	$ 12,111,317	$ 12,410,325
Capital Assets	35,799,685	36,094,301	214,605	259,256	36,014,290	36,353,557
Total Assets	47,344,301	47,973,073	781,306	790,809	48,125,607	48,763,882
Deferred Outflows	1,234,778	845,240	218,063	130,595	1,452,841	975,835
Long-term Debt	30,448,249	30,679,280	985,070	839,141	31,433,319	31,518,421
Other Liabilities	1,929,995	2,314,385	16,061	10,409	1,946,056	2,324,794
Total Liabilities	32,378,244	32,993,665	1,001,131	849,550	33,379,375	33,843,215
Deferred Inflows	53,294	292,746	10,449	55,939	63,743	348,685
Net Position						
Net investment in capital assets	10,693,556	10,049,367	214,605	259,256	10,908,161	10,308,623
Restricted	4,505,750	4,588,931	-	-	4,505,750	4,588,931
Unrestricted	948,235	893,604	(226,816)	(243,341)	721,419	650,263
Total Net Position	$ 16,147,541	$ 15,531,902	$ (12,211)	$ 15,915	$ 16,135,330	$ 15,547,817

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

The District invested $1.6 million in capital assets and paid principal of $958 thousand on its bonds.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2017, net of Interfund transfers, were $33.8 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being $4.5 million more than budget or approximately 22%. This variance was related to on-behalf payments that were not budgeted.
- The total cost of all programs and services including debt service was $33.2 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, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program revenues:						
Charges for services	$ 307,262	$ 332,939	$ 481,723	$ 482,411	$ 788,985	$ 815,350
Operating grants and contributions	13,329,088	9,311,763	1,175,124	1,107,049	14,504,212	10,418,812
Capital grants and contributions	1,865,213	1,868,803	-	-	1,865,213	1,868,803
General revenues:						
Property taxes	5,104,800	4,911,113	-	-	5,104,800	4,911,113
Motor vehicle taxes	299,289	285,634	-	-	299,289	285,634
Utility taxes	1,012,542	913,965	-	-	1,012,542	913,965
Revenue in lieu of taxes	108,152	108,160	-	-	108,152	108,160
Gain on disposal of capital assets	7,943	10,613	-	-	7,943	10,613
Investment earnings	203,499	185,509	5,789	4,978	209,288	190,487
State and formula grants	9,872,542	10,311,975	-	-	9,872,542	10,311,975
Miscellaneous	10,745	40,623	-	-	10,745	40,623
Total revenues	32,121,075	28,281,097	1,662,636	1,594,438	33,783,711	29,875,535
EXPENSES						
Program Activities						
Instruction	22,707,943	19,323,737	-	-	22,707,943	19,323,737
Student support	956,555	949,507	-	-	956,555	949,507
Instructional staff support	995,000	1,005,738	-	-	995,000	1,005,738
District administrative support	640,414	502,717	-	-	640,414	502,717
School administrative support	1,363,750	1,401,710	-	-	1,363,750	1,401,710
Business support	668,000	845,614	-	-	668,000	845,614
Plant operation and maintenance	2,459,538	2,473,516	-	-	2,459,538	2,473,516
Student transportation	665,574	754,245	-	-	665,574	754,245
Community service activities	156,046	158,790	-	-	156,046	158,790
Other	1,497	82,485	-	-	1,497	82,485
Interest costs	963,972	928,438	-	-	963,972	928,438
Business-type Activities:						
Food service	-	-	1,498,962	1,544,828	1,498,962	1,544,828
Daycare	-	-	118,947	151,273	118,947	151,273
Total expenses	31,578,289	28,426,497	1,617,909	1,696,101	33,196,198	30,122,598
Excess before transfers	542,786	(145,400)	44,727	(101,663)	587,513	(247,063)
Transfers	72,853	67,407	(72,853)	(67,407)	-	-
Increase (decrease) in net position	$ 615,639	$ (77,993)	$ (28,126)	$ (169,070)	$ 587,513	$ (247,063)

Governmental Activities

Instruction comprises 72% of governmental program expenses. Support services expenses make up 24% of government expenses. The remaining expense for community services, interest and other expense accounts for the remaining 4% of total government expense.

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

	(Table 3) Governmental Activities Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 22,707,943	$ 19,323,737	$ 10,360,373	$ 11,050,555
Support Services	7,748,831	7,933,047	6,567,911	6,675,387
Community Services & Other	157,543	241,275	(317)	83,415
Facilities acquisition and construction	-	-	(1,202,478)	(1,187,740)
Interest costs	963,972	928,438	351,237	291,375
Total expenses	$ 31,578,289	$ 28,426,497	$ 16,076,726	$ 16,912,992

Business-Type Activities

The business-type activities include the food service and daycare operations. These programs had total revenues of $1,662,636 and expenses of $1,617,909 for fiscal year 2017. Of the revenues, $481,723 was charges for services, $1,175,124 was from State and Federal grants and $5,789 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for these activities.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $27.6 million and expenditures and other financing uses of $27.5 million.

General Fund-Budget Highlights

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

For the General Fund, revenues were budgeted at $15.9 million, with actual amounts of $20.4 million. Budgeted expenditures of $21.3 million compare with actual expenditures of $20.1 million. The most significant fluctuation is for unbudgeted on-behalf payments of $4.2 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017 the School District had $36 million invested in land, buildings, vehicles, equipment and construction in progress and $36.1 million in governmental activities. Table 4 shows fiscal year 2017 and 2016 balances.

(Table 4)
Capital Assets at June 30, 2017 and 2016
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land and land improvements	$ 333,435	$ 343,540	$ -	$ -	$ 333,435	$ 343,540
Buildings and improvements	34,732,737	27,834,335	11,842	16,742	34,744,579	27,851,077
Technology	255,942	42,014	-	-	255,942	42,014
Vehicles	36,917	45,603	-	-	36,917	45,603
General equipment	255,375	255,253	202,763	242,514	458,138	497,767
Total	35,614,406	28,520,745	214,605	259,256	35,829,011	28,780,001
Construction in progress	185,279	7,573,556	-	-	185,279	7,573,556
Total	$ 35,799,685	$ 36,094,301	$ 214,605	$ 259,256	$ 36,014,290	$ 36,353,557

Table 5 shows changes in capital assets for the years ended June 30, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Beginning balance	$ 36,094,301	$ 29,675,156	$ 259,256	$ 311,354	$ 36,353,557	$ 29,986,510
Additions	10,133,165	8,240,307	-	-	10,133,165	8,240,307
Retirements	(8,534,107)	(342)	-	-	(8,534,107)	(342)
Depreciation	(1,893,674)	(1,820,820)	(44,651)	(52,098)	(1,938,325)	(1,872,918)
Ending balance	$ 35,799,685	$ 36,094,301	$ 214,605	$ 259,256	$ 36,014,290	$ 36,353,557

Debt

At June 30, 2017, the School District had $25.4 million in bonds outstanding, of this amount $1.4 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of $975 thousand is due within one year.

District Challenges for the Future

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

The School District has experienced a slight increase 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 TRS and CERS continue to increase.

Increased costs have, in the past, been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District. Our property tax base remained steady; however our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property. Our state funding called SEEK is based on the prior end of year ADA, due to a slight increase in student enrollment in 16-17, the 17-18 budget will show a slight increase in State Revenue and will need to adjust expenditures accordingly.

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

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

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2017-18 with an 18% contingency. Significant Board action that impacts the finances includes pay increases for all employees, purchase of school bus, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

The district's primary concern for the future are projected costs of employer pension contributions. For the 18-19 budget year employer contributions are projected to increase approximately $250,000 for CERS.

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, 2017

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	$ 8,712,852	$ 514,402	$ 9,227,254
Investments	2,327,932		2,327,932
Interfund balances	18,609	(18,609)	-
Inventory		39,815	39,815
Receivables:			
Taxes-current	205,186		205,186
Taxes-delinquent	7,321		7,321
Other receivables	25,013		25,013
Intergovernmental-Indirect Federal	247,703	31,093	278,796
Total Current Assets	11,544,616	566,701	12,111,317
Noncurrent Assets			
Non-depreciable capital assets	453,074		453,074
Depreciable capital assets, net of accumulated depreciation	35,346,611	214,605	35,561,216
Total Noncurrent Assets	35,799,685	214,605	36,014,290
Total Assets	47,344,301	781,306	48,125,607
Deferred Outflows of Resources			
CERS	1,112,246	218,063	1,330,309
Deferred amount on debt refundings	122,532		122,532
Total Deferred Outflows of Resources	1,234,778	218,063	1,452,841
Liabilities			
Current Liabilities			
Accounts payable	310,747	16,061	326,808
Accrued payroll and related expenses	656		656
Unearned revenue	156,150		156,150
Bond obligations	975,000		975,000
Compensated absences	364,420		364,420
Interest payable	123,022		123,022
Total Current Liabilities	1,929,995	16,061	1,946,056
Noncurrent Liabilities			
Bond obligations	24,253,661		24,253,661
Net pension liability - CERS	5,024,431	985,070	6,009,501
Compensated absences	1,170,157		1,170,157
Total Noncurrent Liabilities	30,448,249	985,070	31,433,319
Total Liabilities	32,378,244	1,001,131	33,379,375
Deferred Inflows of Resources			
CERS	53,294	10,449	63,743
Total Deferred Inflows of Resources	53,294	10,449	63,743
Net Position			
Net investment in capital assets	10,693,556	214,605	10,908,161
Restricted	4,505,750		4,505,750
Unrestricted	948,235	(226,816)	721,419
Total Net Position	$ 16,147,541	$ (12,211)	$ 16,135,330

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	$ 22,707,943	$ 307,262	$ 11,990,308	$ 50,000	$ (10,360,373)	$ -	$ (10,360,373)
Support services:							
Student	956,555		206,957		(749,598)		(749,598)
Instruction staff	995,000		384,192		(610,808)		(610,808)
District administrative	640,414		35,142		(605,272)		(605,272)
School administrative	1,363,750		255,354		(1,108,396)		(1,108,396)
Business	668,000		89,531		(578,469)		(578,469)
Plant operation and maintenance	2,459,538		105,037		(2,354,501)		(2,354,501)
Student transportation	665,574		104,707		(560,867)		(560,867)
Community service activities	156,046		157,860		1,814		1,814
Facilities acquisition and construction				1,202,478	1,202,478		1,202,478
Other	1,497				(1,497)		(1,497)
Interest on long-term debt	963,972			612,735	(351,237)		(351,237)
Total Governmental Activities	31,578,289	307,262	13,329,088	1,865,213	(16,076,726)	-	(16,076,726)
Business-Type Activities:							
Food service	1,498,962	345,975	1,163,049			10,062	10,062
Daycare	118,947	135,748	12,075			28,876	28,876
Total Business-Type Activities	1,617,909	481,723	1,175,124	-	-	38,938	38,938
Total Primary Government	$ 33,196,198	$ 788,985	$ 14,504,212	$ 1,865,213	(16,076,726)	38,938	(16,037,788)
			General Revenues:				
			Taxes:				
			Property taxes		5,104,800		5,104,800
			Motor vehicle taxes		299,289		299,289
			Utility taxes		1,012,542		1,012,542
			Revenue in lieu of taxes		108,152		108,152
			Gain on disposal of capital assets		7,943		7,943
			Investment earnings		203,499	5,789	209,288
			State and formula grants		9,872,542		9,872,542
			Miscellaneous		10,745		10,745
			Transfers		72,853	(72,853)	-
			Total general revenues and transfers		16,692,365	(67,064)	16,625,301
			Change in net position		615,639	(28,126)	587,513
			Net position - beginning		15,531,902	15,915	15,547,817
			Net position - ending		$ 16,147,541	$ (12,211)	$ 16,135,330

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, 2017

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 6,527,354	$ 96,415	$ 611,650	$ 65,809	$ 1,411,624	$ 8,712,852
Investments			119,484	2,208,448		2,327,932
Due from other funds	18,609					18,609
Receivables:						
Taxes - current	205,186					205,186
Taxes - delinquent	7,321					7,321
Other receivables	20,403	4,610				25,013
Intergovernmental - Indirect Federal		247,703				247,703
Total Assets	$ 6,778,873	$ 348,728	$ 731,134	$ 2,274,257	$ 1,411,624	$ 11,544,616
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	$ 148,928	$ 38,606	$ 116,042	$ -	$ 7,171	$ 310,747
Accrued payroll and related expenses	656					656
Unearned revenue		156,150				156,150
Total Liabilities	149,584	194,756	116,042	-	7,171	467,553
Fund Balances						
Restricted	100,000	153,972	615,092	2,274,257	1,362,429	4,505,750
Committed	800,000				42,024	842,024
Unassigned	5,729,289					5,729,289
Total Fund Balances	6,629,289	153,972	615,092	2,274,257	1,404,453	11,077,063
Total Liabilities and Fund Balances	$ 6,778,873	$ 348,728	$ 731,134	$ 2,274,257	$ 1,411,624	$ 11,544,616

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, 2017

Total fund balance per fund financial statements	$ 11,077,063
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	35,799,685
Governmental funds record debt refundings as other financiing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	122,532
Governmental funds do not record deferred outflows of resources for pensions but those are reported on the statement of net position as deferred outflows of resources.	1,112,246
Governmental funds do not record deferred inflows of resources for pensions but those are repored on the statement of net positoin as deferred inflows of resources.	(53,294)
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)	(25,228,661)
Interest payable	(123,022)
Compensated absences	(1,534,577)
Net pension liability - CERS	(5,024,431)
Net position for governmental activities	$ 16,147,541

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, 2017

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	$ 4,392,551	$ -	$ -	$ -	$ 712,249	$ 5,104,800
Motor vehicle	288,453				10,836	299,289
Utilities	1,012,542					1,012,542
Revenue in lieu of taxes	108,152					108,152
Tuition and fees	307,262					307,262
Earnings on investments	115,002	1,896	41	78,631	7,929	203,499
Other local revenues	60,744	61,228			99,466	221,438
Intergovernmental - State	14,056,410	888,758		163,892	1,202,478	16,311,538
Intergovernmental - Indirect Federal	36,909	1,252,760				1,289,669
Intergovernmental - Direct Federal	5,453			448,843		454,296
Total Revenues	20,383,478	2,204,642	41	691,366	2,032,958	25,312,485
Expenditures:						
Instruction	13,073,689	1,803,587			124,713	15,001,989
Support services:						
Student	910,228	47,557				957,785
Instruction staff	772,764	221,372				994,136
District administrative	553,415					553,415
School administrative	1,367,482					1,367,482
Business	671,065					671,065
Plant operation and maintenance	2,012,429	44			1,232	2,013,705
Student transportation	665,181	10,005				675,186
Facilities acquisition and construction						-
Community service activities		156,080				156,080
Other non-instruction	40,134					40,134
Facilities acquisition and construction			1,049,753			1,049,753
Debt service:						
Principal				958,000		958,000
Interest				911,084		911,084
Total Expenditures	20,066,387	2,238,645	1,049,753	1,869,084	125,945	25,349,814
Excess (Deficit) of Revenues over Expenditures	317,091	(34,003)	(1,049,712)	(1,177,718)	1,907,013	(37,329)
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	7,943					7,943
Transfers in	72,853	109,950	436,828	1,568,177		2,187,808
Transfers out	(244,760)	(64,565)			(1,805,630)	(2,114,955)
Total Other Financing Sources (Uses)	(163,964)	45,385	436,828	1,568,177	(1,805,630)	80,796
Net Change in Fund Balances	153,127	11,382	(612,884)	390,459	101,383	43,467
Fund Balance, July 1, 2016	6,476,162	142,590	1,227,976	1,883,798	1,303,070	11,033,596
Fund Balance, June 30, 2017	$ 6,629,289	$ 153,972	$ 615,092	$ 2,274,257	$ 1,404,453	$ 11,077,063

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, 2017

Net change in total fund balances per fund financial statements	$	43,467
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.		(294,616)
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.		996,637
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.		35,270
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.		(165,119)
Change in net position of governmental activities	$	615,639

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, 2017

	Food Service Fund	Daycare Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 468,184	$ 46,218	$ 514,402
Intergovernmental - Indirect Federal	31,093		31,093
Inventory	39,815		39,815
Total Current Assets	539,092	46,218	585,310
Noncurrent Assets			
Depreciable capital assets, net of accumulated depreciation	214,605		214,605
Total Noncurrent Assets	214,605	-	214,605
Total Assets	753,697	46,218	799,915
Deferred Outflows of Resources			
CERS	186,442	31,621	218,063
Total Deferred Outflows of Resources	186,442	31,621	218,063
Liabilities			
Current Liabilities			
Accounts payable	15,446	615	16,061
Due to other funds	18,609		18,609
Total Current Liabilities	34,055	615	34,670
Noncurrent Liabilities			
Net pension liability - CERS	842,228	142,842	985,070
Total Noncurrent Liabilities	842,228	142,842	985,070
Total Liabilities	876,283	143,457	1,019,740
Deferred Inflows of Resources			
CERS	8,934	1,515	10,449
Total Deferred Inflows of Resources	8,934	1,515	10,449
Net Position			
Net investment in capital assets	214,605		214,605
Unrestricted	(159,683)	(67,133)	(226,816)
Total Net Position	$ 54,922	$ (67,133)	$ (12,211)

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, 2017

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	$ 345,975	$ -	$ 345,975
Tuition and fees		135,748	135,748
Total Operating Revenues	345,975	135,748	481,723
Operating Expenses:			
Salaries and wages	663,981	117,221	781,202
Materials and supplies	734,596	366	734,962
Depreciation	44,651		44,651
Other operating expenses	55,734	1,360	57,094
Total Operating Expenses	1,498,962	118,947	1,617,909
Operating income (loss)	(1,152,987)	16,801	(1,136,186)
Non-Operating Revenues (Expenses):			
Federal grants	975,849		975,849
Donated commodities	90,593		90,593
State on-behalf payments	84,812	12,075	96,887
State grants	11,795		11,795
Interest income	5,789		5,789
Total Non-Operating Revenues (Expenses) before Transfers	1,168,838	12,075	1,180,913
Transfers out	(72,853)		(72,853)
Change in net position	(57,002)	28,876	(28,126)
Net Position, July 1, 2016	111,924	(96,009)	15,915
Net Position June 30, 2017	$ 54,922	$ (67,133)	$ (12,211)

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, 2017

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	$ 345,975	$ -	$ 345,975
Tuition and fees		135,748	135,748
Cash paid to/for:			
Employees	548,996	122,348	671,344
Supplies	647,014	366	647,380
Other activities	55,734	745	56,479
Net Cash Provided (Used) by Operating Activities	(905,769)	12,289	(893,480)
Cash flows from Non-Capital Financing Activities			
Federal grants	958,194		958,194
State grants	11,795		11,795
Transfers out	(72,853)		(72,853)
Net Cash Provided by Non-Capital Financing Activities	897,136	-	897,136
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	-	-	-
Net Cash Used by Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Receipt of interest income	5,789		5,789
Net Cash Provided by Investing Activities	5,789	-	5,789
Net increase (decrease) in cash and cash equivalents	(2,844)	12,289	9,445
Balances, beginning of year	471,028	33,929	504,957
Balances, end of year	$ 468,184	$ 46,218	$ 514,402
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (1,152,987)	$ 16,801	$ (1,136,186)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,651		44,651
State on-behalf payments	84,812	12,075	96,887
Donated commodities	90,593		90,593
GASB 68 pension expense	30,173	(17,202)	12,971
Change in assets and liabilities:			
Inventory	(12,456)		(12,456)
Accounts payable	5,036	615	5,651
Due to other funds	4,409		4,409
Net cash provided (used) by operating activities	$ (905,769)	$ 12,289	$ (893,480)
Schedule of non-cash transactions:			
Donated commodities received from federal government	$ 90,593	$ -	$ 90,593
State on-behalf payments	$ 84,812	$ 10,817	$ 95,629
CERS pension	$ 30,173	$ (17,203)	$ 12,970

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, 2017

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	$ 180,664	$ 290,502
Receivables	6,659	
Total Assets	187,323	290,502
Liabilities		
Accounts payable		1,008
Due to student groups		289,494
Total Liabilities	-	290,502
Net Position Held in Trust	$ 187,323	$ -

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, 2017

	Private Purpose Trust Funds
Additions	
Contributions	$ 29,016
Net interest and investment gains (losses)	2,241
	31,257
Deductions	
Scholarships paid	(32,250)
Change in net position	(993)
Net Position, July 1, 2016	188,316
Net Position, June 30, 2017	$ 187,323

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

Government-wide Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.

(C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.

(D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

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

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

Proprietary Funds

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

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

(B) The Daycare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

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

A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

BASIS OF ACCOUNTING

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

Modified Accrual

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

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

Revenue Recognition

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

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

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

C. BUDGETARY POLICIES

Budgetary Process

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

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

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

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

D. ENCUMBRANCES

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. PREPAID ITEMS

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

H. CAPITAL ASSETS

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

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

J. COMPENSATED ABSENCES

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

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This statement is effective for periods beginning after June 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. This statement was adopted during the fiscal year ended June 30, 2017 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligatons*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

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, 2017, to finance operations were $.780 per $100 valuation for real property, $.780 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, 2017, $10,579,430 of the District's bank balance of $10,829,430 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, 2017, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/Ratings (1)	Less Than 1
Money Market Mutual Funds	$ 188,703	Not Rated	$ 188,703
Federal National Mortgage Association Note	2,206,580	AAA	2,206,580
Total Investments	$ 2,395,283		$ 2,395,283

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

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

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

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

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

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

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	$ 45,385
General	Debt Service	Debt Service	199,376
Special Revenue	Special Revenue	Internal	64,565
Nonmajor Governmental	Debt Service	Debt Service	1,368,801
Nonmajor Governmental	Construction	Construction	436,828
Food Service	General	Indirect Costs	72,853
Government Wide Financial Statements			
Food Service	General	Indirect Costs	72,853

The Food Service fund also owed the General Fund $18,609 for indirect costs at year-end.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	$ 267,795	$ -	$ -	$ 267,795
Construction in progress	7,573,556	1,145,830	(8,534,107)	185,279
Total Capital Assets Not Being Depreciated	7,841,351	1,145,830	(8,534,107)	453,074
Capital Assets Being Depreciated:				
Land improvements	568,233			568,233
Buildings and improvements	44,240,638	8,534,107		52,774,745
Technology equipment	1,458,264	417,563		1,875,827
Vehicles	1,169,440		(19,426)	1,150,014
General equipment	1,005,849	35,665		1,041,514
Total Capital Assets Being Depreciated at Historical Cost	48,442,424	8,987,335	(19,426)	57,410,333
Accumulated depreciation:				
Land improvements	492,488	10,105		502,593
Buildings and improvements	16,406,303	1,635,705		18,042,008
Technology equipment	1,416,250	203,635		1,619,885
Vehicles	1,123,837	8,686	(19,426)	1,113,097
General equipment	750,596	35,543		786,139
Total accumulated depreciation	20,189,474	1,893,674	(19,426)	22,063,722
Total Other Capital Assets, net	28,252,950	7,093,661	-	35,346,611
Governmental Activities Capital Assets - Net	$ 36,094,301	$ 8,239,491	$ (8,534,107)	$ 35,799,685
Business-Type Activities				
Buildings and improvements	$ 339,450	$ -	$ -	$ 339,450
Food service equipment	1,005,406			1,005,406
Totals at historical cost	1,344,856	-	-	1,344,856
Accumulated depreciation:				
Buildings and improvements	322,708	4,900		327,608
Food service equipment	762,892	39,751		802,643
Total accumulated depreciation	1,085,600	44,651	-	1,130,251
Business-Type Activities Capital Assets - Net	$ 259,256	$ (44,651)	$ -	$ 214,605

Depreciation was charged to governmental functions as follows:

Instruction	$ 1,341,190
Student support	472
Instructional staff	1,817
District administration	401
School administration	70
Business support	475
Plant	549,249
	$ 1,893,674

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, 2017, is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	$ 26,373,000		$ (958,000)	$ 25,415,000	$ 975,000
Capital leases	38,637		(38,637)	-	-
	26,411,637	-	(996,637)	25,415,000	975,000
Less Discount/premium	(204,900)		18,561	(186,339)	-
Total Bonds and Leases Payable	26,206,737	-	(978,076)	25,228,661	975,000
Other Liabilities:					
Compensated absences	1,422,345	219,692	(107,460)	1,534,577	364,420
Total Other Liabilities	1,422,345	219,692	(107,460)	1,534,577	364,420
Total Governmental Activities Long-Term Liabilities	$ 27,629,082	$ 219,692	$ (1,085,536)	$ 26,763,238	$ 1,339,420

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.

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

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

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

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

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Participation	U.S. Government Participation	District's Portion
2018	$ 975,000	$ 894,357	$ 81,427	$ 482,109	$ 1,305,821
2019	1,020,000	876,083	71,056	482,109	1,342,918
2020	1,030,000	855,492	43,056	482,109	1,360,327
2021	1,060,000	833,675	43,056	482,109	1,368,510
2022	1,110,000	809,484	43,056	482,109	1,394,319
2023-2027	4,695,000	3,692,170	77,105	2,410,545	5,899,520
2028-2032	14,350,000	1,263,700	1,004,080	723,164	13,886,456
2033-2035	1,175,000	56,797			1,231,797
	$ 25,415,000	$ 9,281,758	$ 1,362,836	$ 5,544,254	$ 27,789,668

Capital Lease Liabilities

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

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

These assets are included in depreciable capital assets and depreciated in the statement of activities. This lease was paid off during the year.

NOTE 8 – PENSION PLANS

Plan Descriptions

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

TRS

Benefits Provided

For Members Before July 1, 2008:

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

For Members On or After July 1, 2008:

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

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

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

NOTE 8 – PENSION PLANS – CONTINUED

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

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

Other Benefits:

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2017.

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

At June 30, 2017, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was $104,912,414.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0 percent.

For the year ended June 30, 2017, the District recognized pension expense of $8,526,888 and revenue of $8,526,888 ($1,726,242 in the governmental funds and an additional $6,800,646 in government-wide activities) for support provided by the State. At June 30, 2017, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods through 2039 and the Municipal Bond Index Rate of 3.01% was applied to periods after 2039, resulting in an SEIR of 4.20%.

NOTE 8 – PENSION PLANS – CONTINUED

The TPL used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs. In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

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

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.20 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20 percent) or 1-percentage-point higher (5.20 percent) than the current rate:

	1% Decrease (3.20%)	Current Discount Rate (4.20%)	1% Increase (5.20%)
System's net pension liability (in thousands)	$37,937,230	$ 30,924,069	$25,168,197

Pension Plan Fiduciary Net Position

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

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide postretirement healthcare benefits to eligible members and dependents. The TRS medical insurance benefit is a cost-sharing, multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Contributions

The post-employment medical benefit provided by TRS is financed on a pre-funded basis beginning July 1, 2010 with the implementation of the "Shared Responsibility" legislation. In order to fund medical benefits, active member contributions are matched by the state at .75% of members' gross salaries. Beginning July 1, 2010 member contributions to the TRS medical plan increased incrementally to 3.75% on July 1, 2015 under the Shared Responsibility Plan. Also, the premiums collected from retirees and investment income contributes to funding the plan.

NOTE 8 – PENSION PLANS – CONTINUED

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

For the fiscal year ended June 30, 2017, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2017, was 13.95 percent of annual creditable compensation. Contributions to the pension plan from the District were $410,053.

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

At June 30, 2017, the District reported a liability of $6,009,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.122055 percent which was a decrease of .0004 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of $781,021. At June 30, 2017, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8 – PENSION PLANS – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,236	$ -
Changes in actuarial assumptions	318,351	-
Difference between projected and actual investment earnings	564,955	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,714	63,743
Contributions paid to CERS subsequent to the measurement date	410,053	-
	$ 1,330,309	$ 63,743

The amount reported as deferred outflows for District contributions subsequent to the measurement date of $410,053 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2018	$ 322,298
2019	210,478
2020	204,600
2021	119,137
	$ 856,513

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

NOTE 8 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

NOTE 8 – PENSION PLANS – CONTINUED

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 7,488,838	$ 6,009,501	$ 4,741,454

Pension Plan Fiduciary Net Position

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

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

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

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

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

The District is required to contribute at an actuarially determined rate. As of June 30, 2017, 2016, and 2015, the District's required contribution rate was 4.73%, 4.64%, and 4.92%, respectively, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the District were $139,036, $137,752, and $140,619 for the years ended June 30, 2017, 2016, and 2015.

NOTE 8 – PENSION PLANS – CONTINUED

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, 2017, 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, 2017, the District had $100,000 restricted for sick leave in the general fund, $153,972 restricted for grants in the special revenue fund, $491,900 restricted for capital projects in the SEEK Capital Outlay Fund, $870,529 restricted for capital projects in the FSPK Fund, $615,092 restricted for capital projects in the Construction Fund, and $2,274,257 restricted for debt service in the debt service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had $800,000 committed for future construction in the General Fund and $42,024 committed for school funds in the District Activity Fund at June 30, 2017.

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, 2017.

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.

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 establishd 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, 2017.

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

NOTE 11 – DEFICIT OPERATING BALANCES

The Daycare had a deficit net position at June 30, 2017 in the amount of $67,133. The deficit net position is a result of the recording of the net pension liability for CERS.

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

Disctrict Activiry Fund	$ 26,479
SEEK Capital Outlay Fund	24,530
Construction Fund	612,884
Food Service Fund	57,002

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2017 were as follows:

Health	$ 2,437,747
Life	4,049
Admin	32,162
HRA	162,750
KTRS	1,726,242
Technology	58,882
Debt Service	163,892
Less: Federal Reimbursement	(141,077)
Total on-behalf	$ 4,444,647

Recorded as follows:

General Fund	$ 4,183,868
Food Service Fund	84,812
Daycare Fund	12,075
Debt Service Fund	163,892
	$ 4,444,647

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, 2017

	Original	Final	Actual
Revenues:			
From local sources:			
Taxes:			
Property	$ 4,275,778	$ 4,367,924	$ 4,392,551
Motor vehicle	219,053	232,377	288,453
Utilities	950,000	930,000	1,012,542
Revenue in lieu of taxes	108,200	108,200	108,152
Tuition and fees	275,093	275,093	307,262
Earnings on investments	80,000	80,000	115,002
Other local revenues	47,000	47,000	60,744
Intergovernmental - State	9,792,845	9,792,845	14,056,410
Intergovernmental - Indirect Federal	25,000	25,000	36,909
Intergovernmental - Direct Federal	15,000	15,000	5,453
Total Revenues	15,787,969	15,873,439	20,383,478
Expenditures:			
Instruction	10,059,750	9,975,103	13,073,689
Support services:			
Student	763,930	764,566	910,228
Instruction staff	572,005	573,423	772,764
District administrative	514,075	621,160	553,415
School administrative	1,046,441	1,046,442	1,367,482
Business	678,712	691,804	671,065
Plant operation and maintenance	1,941,652	1,921,152	2,012,429
Student transportation	612,409	612,409	665,181
Other non-instruction	5,004,899	5,057,167	40,134
Total Expenditures	21,193,873	21,263,226	20,066,387
Excess (Deficit) of Revenues over Expenditures	(5,405,904)	(5,389,787)	317,091
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			7,943
Transfers in	68,000	68,000	72,853
Transfers out	(55,000)	(254,376)	(244,760)
Total Other Financing Sources (Uses)	13,000	(186,376)	(163,964)
Net Change in Fund Balance	(5,392,904)	(5,576,163)	153,127
Fund Balance, July 1, 2016	5,392,904	5,576,163	6,476,162
Fund Balance, June 30, 2017	$ -	$ -	$ 6,629,289

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of $4,183,868.

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

SPECIAL REVENUE FUND

Year Ended June 30, 2017

	Original	Final	Actual
Revenues:			
Earnings on investments	$ -	$ -	$ 1,896
Other local revenues	47,000	48,000	61,228
Intergovernmental - State	848,535	849,961	888,758
Intergovernmental - Indirect Federal	1,065,636	1,274,618	1,252,760
Total Revenues	1,961,171	2,172,579	2,204,642
Expenditures:			
Instruction	1,578,336	1,830,987	1,803,587
Support services:			
Student	37,059	60,240	47,557
Instruction staff	216,685	220,658	221,372
Plant operation and maintenance		75	44
Student transportation	25,038	25,967	10,005
Community service activities	154,053	159,653	156,080
Total Expenditures	2,011,171	2,297,580	2,238,645
Excess (Deficit) of Revenues over Expenditures	(50,000)	(125,001)	(34,003)
Other Financing Sources (Uses):			
Transfers in	50,000	55,000	109,950
Transfers out			(64,565)
Total Other Financing Sources (Uses)	50,000	55,000	45,385
Net Change in Fund Balance	-	(70,001)	11,382
Fund Balance, July 1, 2016	-	70,001	142,590
Fund Balance, June 30, 2017	$ -	$ -	$ 153,972

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

June 30, 2017

Last 10 Years *

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

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

June 30, 2017

Last 10 Years *

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

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2017

Last 10 Years *

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

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS

June 30, 2017

Last 10 Years *

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

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

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

CERS

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

Changes of assumptions. The were no changes in assumptions.

TRS

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

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

Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

SUPPLEMENTARY INFORMATION

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	$ 49,195	$ 491,900	$ 870,529	$ 1,411,624
Total Assets	$ 49,195	$ 491,900	$ 870,529	$ 1,411,624
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	$ 7,171	$ -	$ -	$ 7,171
Total Liabilities	7,171	-	-	7,171
Fund Balances				
Restricted		491,900	870,529	1,362,429
Committed	42,024			42,024
Total Fund Balances	42,024	491,900	870,529	1,404,453
Total Liabilities and Fund Balances	$ 49,195	$ 491,900	$ 870,529	$ 1,411,624

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2017

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	$ -	$ -	$ 712,249	$ 712,249
Motor vehicle			10,836	10,836
Other local revenue	99,466			99,466
Earnings on investments		3,083	4,846	7,929
Intergovernmental - State		216,121	986,357	1,202,478
Total Revenues	99,466	219,204	1,714,288	2,032,958
Expenditures				
Instruction	124,713			124,713
Support services:				
Plant operation and maintenance	1,232			1,232
Total Expenditures	125,945	-	-	125,945
Excess (Deficit) of Revenues over Expenditures	(26,479)	219,204	1,714,288	1,907,013
Other Financing Sources (Uses)				
Transfers out		(243,734)	(1,561,896)	(1,805,630)
Total Other Financing Sources (Uses)	-	(243,734)	(1,561,896)	(1,805,630)
Net Change in Fund Balances	(26,479)	(24,530)	152,392	101,383
Fund balance, July 1, 2016	68,503	516,430	718,137	1,303,070
Fund balance, June 30, 2017	$ 42,024	$ 491,900	$ 870,529	$ 1,404,453

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2017

	Panther Academy	Helmwood Heights Elementary	Morningside Elementary	T.K. Stone Middle School	Elizabethtown High School	Total Agency Fund
Assets						
Cash and cash equivalents	$ 1,310	$ 14,540	$ 21,747	$ 43,643	$ 209,262	$ 290,502
Receivables						-
Total Assets	$ 1,310	$ 14,540	$ 21,747	$ 43,643	$ 209,262	$ 290,502
Liabilities						
Accounts payable	$ 101	$ -	$ 30	$ 877	$ -	$ 1,008
Due to student groups	1,209	14,540	21,717	42,766	209,262	289,494
Total Liabilities	$ 1,310	$ 14,540	$ 21,747	$ 43,643	$ 209,262	$ 290,502

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2017

SCHOOL	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Elizabethtown High	$ 199,270	$ 404,135	$ 394,143	$ 209,262	$ -	$ -	$ 209,262
Helmwood Heights Elementary	15,783	20,677	21,920	14,540	-	-	14,540
Morningside Elementary	28,527	17,907	24,687	21,747	-	30	21,717
Panther Academy	2,134	6,049	6,873	1,310	-	101	1,209
T.K. Stone Middle	34,507	104,974	95,838	43,643	-	877	42,766
	$ 280,221	$ 553,742	$ 543,461	$ 290,502	$ -	$ 1,008	$ 289,494

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL
YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Academic Team	$ 128	$ 510	$ 499	$ 139	$ -	$ -	$ 139
Adult Vending	203	1,375	1,134	444	-	-	444
Agendas	5	-	-	5	-	-	5
Angels in the Outfield	2,751	11,872	13,071	1,552	-	-	1,552
APEX	300	175	375	100	-	-	100
AP Social Studies	53	1,052	562	543	-	-	543
Archery	5	13,176	7,153	6,028	-	-	6,028
Art Club	457	200	130	527	-	-	527
Athletic Concessions	5,496	10,305	11,716	4,085	-	-	4,085
Athletic Fees	18,079	31,462	20,171	29,370	-	-	29,370
Athletic Gate	55,401	42,570	57,463	40,508	-	-	40,508
Athletic Post Season	-	11,202	6,203	4,999	-	-	4,999
Athletics	3	3,000	1,161	1,842	-	-	1,842
Band	4,826	21,306	22,292	3,840	-	-	3,840
Baseball	258	9,362	5,247	4,373	-	-	4,373
Baseball Camp	3,699	2,040	1,896	3,843	-	-	3,843
Baseball Regional	1,983	-	1,983	-	-	-	-
Belle	4,791	10,200	6,169	8,822	-	-	8,822
Beta Club	1,972	1,165	1,095	2,042	-	-	2,042
Beta Club Service Proj	-	-	-	-	-	-	-
Beta-Service Proj #2	-	-	-	-	-	-	-
Bowling	1,105	3,086	3,208	983	-	-	983
Boy's Basketball	904	23,779	22,947	1,736	-	-	1,736
Boy's Basketball Camp	8,196	5,135	11,331	2,000	-	-	2,000
Boy's Basketball District	-	-	-	-	-	-	-
Boy's Soccer	1,653	7,467	7,863	1,257	-	-	1,257
Boy's Soccer Camp	-	930	620	310	-	-	310
Boys Soccer Tournament	2	-	-	2	-	-	2
Broadcasting	-	-	-	-	-	-	-
Building Rental	-	5,477	2,514	2,963	-	-	2,963
Business Education	3,724	1,777	2,422	3,079	-	-	3,079
Cheerleader Club	-	-	-	-	-	-	-
Cheerleading	1,013	1,683	739	1,957	-	-	1,957
Cheerleading Clinic	2,342	-	-	2,342	-	-	2,342
Child Services	-	377	377	-	-	-	-
Chorus	3,117	3,024	4,066	2,075	-	-	2,075
Class of 1960 Scholarship	454	120	175	399	-	-	399
Class of 2005 Scholarship	1,000	-	-	1,000	-	-	1,000
Computer Science	-	455	455	-	-	-	-
Cross Country	1,318	1,606	1,093	1,831	-	-	1,831
Dow Corning	-	-	-	-	-	-	-
Drama	93	255	-	348	-	-	348
Earth Club	398	-	-	398	-	-	398
Engineering	66	-	-	66	-	-	66
English	1,361	1,725	1,265	1,821	-	-	1,821
English-Poetry	500	-	-	500	-	-	500
FBLA	-	1,632	1,632	-	-	-	-
FCA	440	41	219	262	-	-	262
Fishing	118	5,898	5,487	529	-	-	529
Football	616	16,510	17,125	1	-	-	1
Football-District Tourna	750	9,600	10,350	-	-	-	-
Freshman Class	39	352	258	133	-	-	133
Fund for the Arts	52	-	-	52	-	-	52
Gifted and Talented	505	-	-	505	-	-	505
Girl's Basketball	2,502	8,607	10,580	529	-	-	529
Girl's Basketball Camp	62	4,090	3,287	865	-	-	865
Girl's Basketball Dist	651	-	-	651	-	-	651
Girl's Soccer	9,651	6,471	9,228	6,894	-	-	6,894
Girl's Soccer Camp	2,351	2,571	693	4,229	-	-	4,229
Girl's Soccer District	-	-	-	-	-	-	-
Girls Soccer Regional	-	-	-	-	-	-	-
Girls Soccer State	-	-	-	-	-	-	-
Girls Soccer-Ser Project	-	-	-	-	-	-	-
Golf	-	1,500	1,457	43	-	-	43
Green Dot	18	-	-	18	-	-	18

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ELIZABETHTOWN HIGH SCHOOL - CONCLUDED
YEAR ENDED JUNE 30, 2017

NAME OF ACTIVITY	CASH BALANCES July 1, 2016	RECEIPTS	DISBURSE-MENTS	CASH BALANCES June 30, 2017	RECEIVABLES June 30, 2017	ACCOUNTS PAYABLE June 30, 2017	DUE TO STUDENT GROUPS June 30, 2017
Guidance	1,576	30,905	28,385	4,096	-	-	4,096
Interest	1,665	2,920	1,657	2,928	-	-	2,928
Junior Class	197	-	-	197	-	-	197
KYA/KUNA	3,100	29,529	30,272	2,357	-	-	2,357
Lacrosse	1,852	-	853	999	-	-	999
Library	231	733	711	253	-	-	253
Lock Fund	-	15	-	15	-	-	15
Mathematica	1,863	200	663	1,400	-	-	1,400
Mathematics	813	1,790	932	1,671	-	-	1,671
Muslim Student Asso	86	-	-	86	-	-	86
Parking	-	600	535	65	-	-	65
Pep Club	107	2,705	2,689	123	-	-	123
Physical Education	515	255	770	-	-	-	-
Pictures	88	1,533	887	734	-	-	734
PLTW Consumables	323	1,982	310	1,995	-	-	1,995
PLTW Fees	-	130	90	40	-	-	40
Project Graduation	2,657	8,735	7,586	3,806	-	-	3,806
Prom	8,279	8,222	10,553	5,948	-	-	5,948
Rewards Program	1,954	2,898	4,410	442	-	-	442
SADD	416	-	-	416	-	-	416
SADD - Grant	425	-	-	425	-	-	425
SADD - Service Project	16	-	-	16	-	-	16
Science	-	5,356	5,356	-	-	-	-
Senior Class	55	2,027	1,627	455	-	-	455
Senior Trip	437	30,800	31,125	112	-	-	112
Service Club	407	25	372	60	-	-	60
Social Committee	402	865	1,010	257	-	-	257
Social Committee (Angel)	26	-	-	26	-	-	26
Social Studies	575	2,340	2,510	405	-	-	405
Softball	1,174	10,105	8,578	2,701	-	-	2,701
Softball Tournament	-	-	-	-	-	-	-
Sophomore Class	399	-	-	399	-	-	399
Spanish Club	586	286	340	532	-	-	532
Spanish Honors	74	-	-	74	-	-	74
Special Ed - Jr Achieve	318	-	-	318	-	-	318
Special Education	2,095	989	1,040	2,044	-	-	2,044
Speech	1,702	1,225	1,771	1,156	-	-	1,156
STLP	33	-	-	33	-	-	33
Student Assistance Fund	234	-	-	234	-	-	234
Student Council	2,913	15,728	14,503	4,138	-	-	4,138
Student Vending	540	1,191	1,477	254	-	-	254
Sweep	-	2,435	2,155	280	-	-	280
Swimming	283	3,922	2,050	2,155	-	-	2,155
Swimming Regional	2,091	-	2,091	-	-	-	-
Target	364	-	-	364	-	-	364
Taylor Family Memorial	2,115	-	2,115	-	-	-	-
Technical Education	-	760	562	198	-	-	198
Tennis	427	1,945	1,513	859	-	-	859
Tennis Camp	1,439	560	245	1,754	-	-	1,754
Tennis Regional	180	-	180	-	-	-	-
Textbooks	-	12,670	12,487	183	-	-	183
Track	1,201	8,029	2,771	6,459	-	-	6,459
Track Regional	1,323	62	1,385	-	-	-	-
United Way	-	390	380	10	-	-	10
VEX Robotic Team	-	2627	1106	1,521	-	-	1,521
Volleyball	1,322	5,403	6,674	51	-	-	51
Volleyball-Camp	-	150	-	150	-	-	150
Volleyball-District	-	-	-	-	-	-	-
Winterguard	1,621	10,256	11,339	538	-	-	538
Yearbook	3,360	4,130	6,800	690	-	-	690
Subtotal	199,270	502,568	492,576	209,262	-	-	209,262
Interfund Transfers		98,433	98,433				
TOTAL	$ 199,270	$ 404,135	$ 394,143	$ 209,262	$ -	$ -	$ 209,262

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-16	$ 151,377
		7750002-17	496,365
School Breakfast Program	10.553	7760005-16	69,112
		7760005-17	212,671
Summer Food Service Program for Children	10.559	7690024-16	1,365
		7740023-16	12,867
		77400023-17	31,093
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	90,583
TOTAL CHILD NUTRITION CLUSTER			1,065,433
Passed Through State Department of Education			
State Administrartive Expenses for Child Nutrition	10.560	7850012-13	1,000
TOTAL U.S. DEPT. OF AGRICULTURE			1,066,433
U.S. DEPARTMENT OF EDUCATION			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	337B	4,661
		337BP	912
		337C	427,169
		337CC	2,000
		337CP	2,403
		337D	1,351
			438,496
Special Education - Preschool Grants	84.173	343B	3,239
		343C	11,271
			14,510
TOTAL SPECIAL EDUCATION CLUSTER			453,006
OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Impact Aid	84.041	GF	5,453
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	310A	34,646
		310AM	8,844
		310B	115,532
		310BM	4,148
		310C	539,388
		310CM	3,080
			705,638
Vocational Education - Basic Grants to States	84.048	348AA	(630)
		348BA	1,276
		378C	25,127
			25,773
English Language Acquisition Grants	84.365	345B	2,511
		345C	3,083
			5,594
Improving Teacher Quality - State Grants	84.367	401A	979
		401B	32,111
		401C	29,658
			62,748
TOTAL U.S. DEPARTMENT OF EDUCATION			1,258,212
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,324,645

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, 2017

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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Elizabethtown Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Elizabethtown Independent School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – INDIRECT COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

• Material weakness(es) identified?	_____yes	___X__none reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____yes	___X__none reported
Noncompliance material to financial statements noted?	_____yes	___X__no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____yes	___X__no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____yes	___X__none reported

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

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

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

DEPARTMENT OF EDUCATION

84.010 Title I Grants to Local Educational Agencies

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

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2017

DEPARTMENT OF AGRICULTURE

FINDING 2016-001 – Child Nutrition Cluster – CFDA No. 10.553/10.555/10.559 – Passed Through State Department of Education

Significant Deficiency – Procurement

Condition This finding was a significant deficiency stating that the District's policies and procedures were in accordance with state requirements but did not include the required federal requirements regarding procurement.

Recommendation: The auditor recommended that the District adopt revised procurement procedures.

Current Status: The District implemented revised procurement procedures effective July 1, 2016. No similar findings were noted in the June 30, 2017 audit.

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

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elizabethtown Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Elizabethtown Independent School District's basic financial statements, and have issued our report thereon dated September 29, 2017.

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.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Elizabethtown Independent School District in a separate letter dated September 29, 2017.

Purpose of this Report

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

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2017

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

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Elizabethtown Independent School District
Elizabethtown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Elizabethtown Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elizabethtown Independent School District's major federal programs for the year ended June 30, 2017. Elizabethtown Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elizabethtown Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elizabethtown Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Elizabethtown Independent School District's compliance.

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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, 2017.

Report on Internal Control Over Compliance

Management of Elizabethtown Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elizabethtown Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elizabethtown Independent School District's internal control over compliance.

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

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

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

Stokes, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2017

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, 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, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 29, 2017, contains our report on the District's internal control. This letter does not affect our report dated September 29, 2017, on the financial statements of the Elizabethtown Independent School District.

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

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

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 29, 2017

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ELIZABETHTOWN INDEPENDENT SCHOOL DISTRICT

COMMENTS

June 30, 2017

PRIOR YEAR UNCORRECTED COMMENTS

NONE

CURRENT YEAR COMMENTS

MORNINGSIDE ELEMENTARY SCHOOL

PURCHASE ORDER FORMS
We noted that check #7130, dated 04/28/2017, and written to the National Beta Club for membership dues had an attached Purchase Order Form (F-SA-7) that was dated as being remitted on 04/28/2017. However, the invoice on file for the purchase was dated 03/15/2017. Redbook requires that purchases be approved before they are made.

MANAGEMENT RESPONSE
1. Principal will clarify with all staff that Red book procedures require that any purchase orders must be approved prior to the issuance of invoices/payments, whether that is a purchase for routine classroom materials, fundraisers or student club memberships.
2. The financial secretary will send additional correspondence at the beginning of each year to remind all staff of these requirements.
3. Additionally, the financial secretary will routinely check with club sponsors to determine if purchase orders are required for their membership or fund raising drives.
4. Should an invoice be received by the principal and/or financial secretary prior to the approval of a purchase order, the staff member responsible shall be required to write a letter of explanation.

ELIZABETHTOWN HIGH SCHOOL

DISBURSEMENTS
We noted that check #17847 dated 4/27/17 in the amount of $218.25 and made payable to Dominos was for pizza for the prom after-party. There was not a receipt/invoice from the vendor for this transaction. A Standard Invoice (F-SA-8) was completed, but there was not a signature from the vendor verifying the amount paid. Redbook requires each disbursement to be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice, which must be signed by the payee.

MANAGEMENT RESPONSE
In an effort to prevent future issues a checklist will be used to ensure that each standard invoice is signed by both principal as well as a vendor representative so that this issue is not duplicated in the future.