

**WALTON-VERONA INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**- WITH INDEPENDENT AUDITORS' REPORT -**

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## Independent Auditors' Report

To the Members of the Board of Education  
Walton-Verona Independent School District  
16 School Road  
Walton, Kentucky 41094

### **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 Walton-Verona Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Walton-Verona Independent School District's basic financial statements as listed in the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8, 15 and 16 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 Walton-Verona Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of the Walton-Verona 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 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 Walton-Verona Independent School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky  
November 11, 2013

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Walton-Verona School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$5,621,556
- The General Fund had \$13,003,767, excluding interfund transfers, in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$12,903,367 in General Fund expenditures.

**CURRENT ISSUES**

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives continue to be to create students who grow and achieve academically, are college and career ready when they graduate, are involved in their community, and to provide the best return possible on the community's investment in education.

The District Facilities Plan adopted in 2013 shifted the focus from adding additional classroom space to renovating and replacing that are out-of-date and/or in poor condition. A large project on the Walton campus is planned to take over the end of FY14 and most of FY15 that will have a tremendous impact on the quality of instruction for the Arts & Humanities and Physical Education / Health programs at both Walton – Verona High School and Walton – Verona Middle School.

While not unique to our District, our primary financial concern continues to be state funding. Local property values continue to be stagnant and new property growth has slowed drastically in the current economy, which increases the negative effect of state SEEK funding issues. Over the past several years we have seen a decrease in per-pupil funding from the state when the mid-year budget cuts are taken into consideration. This comes at a time when expenses on everything from supplies to utilities to personnel and retirement expenses are on the rise and when many state grants have been drastically cut or eliminated.

To combat the impact of these issues, the Walton - Verona Independent School District will maintain fiscally responsible policies in order to providing quality academic, extra-curricular and community service programs to all of its students.

**OVERVIEW OF FINANCIAL STATEMENTS**

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) district-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.

**District-wide financial statements.** The district-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.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)**

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

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

The district-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. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 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. This is a state mandated uniform 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 funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

**DISTRICT-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, assets exceeded liabilities by \$15,917,935 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still 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.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Net Position for the periods ending June 30, 2013 and 2012**

The following table presents a summary of net position for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Current assets	\$ 6,133,208	\$ 6,206,027
Noncurrent assets	<u>27,674,366</u>	<u>28,280,584</u>
<b>Total assets</b>	<b><u>\$ 33,807,574</u></b>	<b><u>\$ 34,486,611</u></b>
Current liabilities	\$ 1,576,001	\$ 1,523,269
Noncurrent liabilities	<u>16,313,638</u>	<u>17,298,957</u>
<b>Total liabilities</b>	<b><u>\$ 17,889,639</u></b>	<b><u>\$ 18,822,226</u></b>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$ 10,564,431	\$ 10,230,816
Restricted	3,628,680	3,832,423
Committed	69,324	69,324
Assigned	100,000	60,048
Unrestricted	79,601	-
Unassigned	<u>1,475,889</u>	<u>1,471,774</u>
<b>Total net position</b>	<b><u>\$ 15,917,935</u></b>	<b><u>\$ 15,664,385</u></b>

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$13,003,767.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,013,369 more than budget or approximately 30.3%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$12,903,367, net of interfund transfers and debt service.
- General Fund actual expenditures exceeded budget expenditures by \$1,152,886 in instruction. This is a result of the District recording "on behalf" payments made by the State.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 433,193	\$ 437,509
Operating grants and contributions	1,196,906	1,512,908
Capital grants and contributions	<u>894,351</u>	<u>655,368</u>
Total program revenues	<u>2,524,450</u>	<u>2,605,785</u>
General Revenues:		
Property taxes	4,907,824	4,855,270
Other taxes	958,453	762,413
Grants and entitlements	7,853,536	7,837,984
Earnings on investments	22,885	22,134
Miscellaneous	<u>17,441</u>	<u>273,680</u>
Total general revenues	<u>13,760,139</u>	<u>13,751,481</u>
Total revenues	<u>16,284,589</u>	<u>16,357,266</u>
<b>Expenses:</b>		
Instruction	8,358,806	8,115,129
Student support services	693,933	662,000
Instructional support	774,633	741,858
District administration	799,399	764,061
School administration	807,929	784,568
Business support	189,861	183,851
Plant operations	1,815,784	1,565,854
Student transportation	1,013,145	914,344
Other	29,290	28,001
Debt service	650,968	594,286
Food service	<u>897,291</u>	<u>829,376</u>
Total expenses	<u>16,031,039</u>	<u>15,183,328</u>
Excess of revenues over expenses	<u>\$ 253,550</u>	<u>\$ 1,173,938</u>

**General Fund Revenue**

The majority of general revenue was derived from State SEEK Funds (43.7%) with local funding making up 39.0% of total revenue.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$626,533 in contingency (5.6%). The beginning cash balance for the fiscal year is \$5,621,556.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Robert Storer, Superintendent or to Mr. Kevin Ryan, Director of Financial Services at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - DISTRICT WIDE**  
**AS OF JUNE 30, 2013**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CURRENT</b>			
Cash and cash equivalents	\$ 5,411,187	\$ 52,765	\$ 5,463,952
Accounts receivable	614,003	32,329	646,332
Inventory	-	22,924	22,924
Total current	<u>6,025,190</u>	<u>108,018</u>	<u>6,133,208</u>
<b>NONCURRENT</b>			
Bond origination costs - net	357,987	-	357,987
Land	1,076,853	-	1,076,853
Construction in progress	25,364	-	25,364
Land improvements	1,013,612	-	1,013,612
Buildings and improvements	31,819,347	-	31,819,347
Technology equipment	2,036,253	-	2,036,253
Vehicles	1,655,514	-	1,655,514
General equipment	327,472	522,729	850,201
Less: accumulated depreciation	<u>(10,767,880)</u>	<u>(392,885)</u>	<u>(11,160,765)</u>
Total noncurrent	<u>27,544,522</u>	<u>129,844</u>	<u>27,674,366</u>
Total assets	<u>\$ 33,569,712</u>	<u>\$ 237,862</u>	<u>\$ 33,807,574</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accrued interest	\$ 183,612	\$ -	\$ 183,612
Current portion of bonds payable	950,058	-	950,058
Current portion of capital lease	54,943	-	54,943
Current portion of accrued sick leave	23,189	-	23,189
Assessed KISBIT liability	63,499	-	63,499
Accounts payable	219,135	5,493	224,628
Accrued payroll and related liabilities	52,397	-	52,397
Deferred revenue	<u>23,675</u>	<u>-</u>	<u>23,675</u>
Total current	<u>1,570,508</u>	<u>5,493</u>	<u>1,576,001</u>
<b>NONCURRENT</b>			
Accrued sick leave	208,704	-	208,704
Capital lease obligation	66,636	-	66,636
Long term bonds payable	<u>16,038,298</u>	<u>-</u>	<u>16,038,298</u>
Total noncurrent	<u>16,313,638</u>	<u>-</u>	<u>16,313,638</u>
Total liabilities	<u>17,884,146</u>	<u>5,493</u>	<u>17,889,639</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	10,434,587	129,844	10,564,431
Restricted for:			
Capital projects	3,605,756	-	3,605,756
Other purposes	-	22,924	22,924
Committed			
Sick leave	69,324	-	69,324
Assigned			
Purchase obligations	100,000	-	100,000
Unrestricted	-	79,601	79,601
Unassigned	<u>1,475,899</u>	<u>-</u>	<u>1,475,899</u>
Total net position	<u>15,685,566</u>	<u>232,369</u>	<u>15,917,935</u>
Total liabilities and net position	<u>\$ 33,569,712</u>	<u>\$ 237,862</u>	<u>\$ 33,807,574</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities</b>							
Instruction	\$ 8,358,806	\$ 63,246	\$ 726,637	\$ -	\$ (7,568,923)	\$ -	\$ (7,568,923)
Support services:							
Student	693,933	-	-	-	(693,933)	-	(693,933)
Instruction staff	774,633	-	-	-	(774,633)	-	(774,633)
District administration	799,399	-	33,349	-	(766,050)	-	(766,050)
School administration	807,929	-	-	-	(807,929)	-	(807,929)
Business	189,861	-	-	-	(189,861)	-	(189,861)
Plant operation and maintenance	1,815,784	-	-	-	(1,815,784)	-	(1,815,784)
Student transportation	1,013,145	-	28,918	-	(984,227)	-	(984,227)
Facilities acquisition and construction	-	-	-	658,121	658,121	-	658,121
Other	29,290	-	-	236,230	206,940	-	206,940
Interest on long-term debt	650,968	-	-	-	(650,968)	-	(650,968)
<b>Total governmental activities</b>	<b>15,133,748</b>	<b>63,246</b>	<b>788,904</b>	<b>894,351</b>	<b>(13,387,247)</b>	<b>-</b>	<b>(13,387,247)</b>
<b>Business-type Activities</b>							
Food service	897,291	369,947	408,002	-	-	(119,342)	(119,342)
<b>Total business-type activities</b>	<b>897,291</b>	<b>369,947</b>	<b>408,002</b>	<b>-</b>	<b>-</b>	<b>(119,342)</b>	<b>(119,342)</b>
<b>Total school district</b>	<b>\$ 16,031,039</b>	<b>\$ 433,193</b>	<b>\$ 1,196,906</b>	<b>\$ 894,351</b>	<b>\$ (13,387,247)</b>	<b>\$ (119,342)</b>	<b>\$ (13,506,589)</b>
			<b>General Revenues</b>				
			Property taxes		\$ 4,907,824	\$ -	\$ 4,907,824
			Motor vehicle taxes		392,348	-	392,348
			Utility taxes		381,551	-	381,551
			Other taxes		151,739	-	151,739
			Revenue in lieu of taxes		32,815	-	32,815
			Investment earnings		21,045	1,840	22,885
			Loss on bond refunding		-	-	-
			State and federal aid formula grants		7,853,536	-	7,853,536
			Gain on sale of fixed assets		-	-	-
			Bond principal paid by KSFCC		(63,499)	-	(63,499)
			Miscellaneous		74,553	6,387	80,940
			<b>Total general revenues</b>		<b>13,751,912</b>	<b>8,227</b>	<b>13,760,139</b>
			Change in net position		364,665	(111,115)	253,550
			Net position - beginning		15,320,901	343,484	15,664,385
			Net position - ending		<b>\$ 15,685,566</b>	<b>\$ 232,369</b>	<b>\$ 15,917,935</b>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>BUILDING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and cash equivalents (overdraft)	\$ 2,258,011	\$ (469,725)	\$ 3,566,546	\$ 56,355	\$ 5,411,187
Other receivables	120,603	493,400	-	-	614,003
	<u>2,378,614</u>	<u>23,675</u>	<u>3,566,546</u>	<u>56,355</u>	<u>6,025,190</u>
Total assets	<u>\$ 2,378,614</u>	<u>\$ 23,675</u>	<u>\$ 3,566,546</u>	<u>\$ 56,355</u>	<u>\$ 6,025,190</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 201,990	\$ -	\$ -	\$ 17,145	\$ 219,135
Accrued payroll and related liabilities	52,397	-	-	-	52,397
Deferred revenue	-	23,675	-	-	23,675
	<u>254,387</u>	<u>23,675</u>	<u>-</u>	<u>17,145</u>	<u>295,207</u>
Total liabilities	<u>254,387</u>	<u>23,675</u>	<u>-</u>	<u>17,145</u>	<u>295,207</u>
<b>FUND BALANCES</b>					
Restricted					
Capital projects	-	-	3,566,546	39,210	3,605,756
Committed					
Sick Leave	69,324	-	-	-	69,324
Capital projects	-	-	-	-	-
Assigned	100,000	-	-	-	100,000
Unassigned	1,954,903	-	-	-	1,954,903
	<u>2,124,227</u>	<u>-</u>	<u>3,566,546</u>	<u>39,210</u>	<u>5,729,983</u>
Total fund balances	<u>2,124,227</u>	<u>-</u>	<u>3,566,546</u>	<u>39,210</u>	<u>5,729,983</u>
Total liabilities and fund balances	<u>\$ 2,378,614</u>	<u>\$ 23,675</u>	<u>\$ 3,566,546</u>	<u>\$ 56,355</u>	<u>\$ 6,025,190</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

Total fund balance per fund financial statements		\$ 5,729,983
Amounts reported for governmental activities in the statement of net position are different because:		
Unamortized bond issuance costs		357,987
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.		
Cost of capital assets	37,954,415	
Accumulated depreciation	<u>(10,767,880)</u>	
		27,186,535
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Bonds payable	(16,988,356)	
Capital lease obligation	(121,579)	
Accrued interest on bonds	(183,612)	
Assessed KISBIT liability	(63,499)	
Accrued sick leave	<u>(231,893)</u>	
		<u>(17,588,939)</u>
Net position for governmental activities		<u>\$ 15,685,566</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>REVENUES</b>	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>BUILDING FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
From local sources					
Property taxes	\$ 4,007,824	\$ -	\$ 900,000	\$ -	\$ 4,907,824
Motor vehicle taxes	392,348	-	-	-	392,348
Utility taxes	366,551	-	-	15,000	381,551
Other taxes	151,739	-	-	-	151,739
Tuition and fees	99,345	-	-	-	99,345
Earnings on investments	21,045	-	-	-	21,045
Other local revenues	32,256	-	-	-	32,256
State sources					
SEEK	5,680,398	-	513,638	144,483	6,338,519
Other	2,173,138	249,320	-	236,230	2,658,688
Federal - indirect	-	539,584	-	-	539,584
Revenue in lieu of taxes	32,815	-	-	-	32,815
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>12,957,459</b>	<b>788,904</b>	<b>1,413,638</b>	<b>395,713</b>	<b>15,555,714</b>
<b>EXPENDITURES</b>					
Instruction	7,530,133	749,756	-	-	8,279,889
Support services					
Student	610,248	-	-	-	610,248
Instruction staff	773,461	-	-	-	773,461
District administration	755,710	33,349	-	-	789,059
School administration	803,760	-	-	-	803,760
Business	189,861	-	-	-	189,861
Plant operation and maintenance	1,192,239	-	-	-	1,192,239
Student transportation	1,047,955	28,918	-	-	1,076,873
Facilities acquisition and construction	-	-	-	267,352	267,352
Debt service	-	-	-	1,582,560	1,582,560
<b>Total expenditures</b>	<b>12,903,367</b>	<b>812,023</b>	<b>-</b>	<b>1,849,912</b>	<b>15,565,302</b>
Excess (deficit) of revenues over expenditures	54,092	(23,119)	1,413,638	(1,454,199)	(9,588)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bond sale and capital leases	46,308	-	-	-	46,308
Operating transfers in	-	23,119	-	1,266,421	1,289,540
Operating transfers out	(23,119)	-	(1,266,421)	-	(1,289,540)
<b>Total other financing sources (uses)</b>	<b>23,189</b>	<b>23,119</b>	<b>(1,266,421)</b>	<b>1,266,421</b>	<b>46,308</b>
Net change in fund balances	77,281	-	147,217	(187,778)	36,720
Fund balance, July 1, 2012	2,046,946	-	3,419,329	226,988	5,693,263
Fund balance, June 30, 2013	<u>\$ 2,124,227</u>	<u>\$ -</u>	<u>\$ 3,566,546</u>	<u>\$ 39,210</u>	<u>\$ 5,729,983</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in total fund balances per fund financial statements	\$	36,720
Amounts reported for governmental activities in the statement of activities are different because:		
New capital lease		(46,308)
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 exceeds capital outlays and retirements.		
Depreciation expense	(960,108)	
Retirement of capital assets	-	
Construction in progress	25,364	
Capital outlays	<u>379,468</u>	
		(555,276)
Net 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.		
Principal paid	<u>986,141</u>	
		986,141
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
		<u>(56,612)</u>
Change in net position of governmental activities	\$	<u><u>364,665</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET FAVORABLE (UNFAVORABLE)
From local sources				
Property taxes	\$ 3,755,000	\$ 3,755,000	\$ 4,007,824	\$ 252,824
Motor vehicle taxes	300,000	300,000	392,348	92,348
Utility taxes	280,000	280,000	366,551	86,551
Other taxes	25,000	25,000	151,739	126,739
Tuition and fees	94,000	94,000	99,345	5,345
Earnings on investments	15,000	15,000	21,045	6,045
Other local revenue	22,000	22,000	32,256	10,256
State sources				
SEEK	5,400,000	5,400,000	5,680,398	280,398
Other	16,000	16,000	2,173,138	2,157,138
Revenue in lieu of taxes	37,090	37,090	32,815	(4,275)
Other revenues	-	-	-	-
Total revenues	<u>9,944,090</u>	<u>9,944,090</u>	<u>12,957,459</u>	<u>3,013,369</u>
<b>EXPENDITURES</b>				
Instruction	6,131,760	6,138,151	7,530,133	(1,391,982)
Support services				
Student	597,798	597,798	610,248	(12,450)
Instruction staff	620,625	620,625	773,461	(152,836)
District administration	706,874	706,874	755,710	(48,836)
School administration	628,307	628,307	803,760	(175,453)
Business	167,348	167,348	189,861	(22,513)
Plant operation and maintenance	1,316,997	1,316,997	1,192,239	124,758
Student transportation	947,848	947,848	1,047,955	(100,107)
Central office	-	-	-	-
Contingency	626,533	626,533	-	626,533
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>11,744,090</u>	<u>11,750,481</u>	<u>12,903,367</u>	<u>(1,152,886)</u>
Excess (deficit) of revenues over expenditures	<u>(1,800,000)</u>	<u>(1,806,391)</u>	<u>54,092</u>	<u>1,860,483</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds and capital leases	-	-	46,308	46,308
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(23,119)	(23,119)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23,189</u>	<u>23,189</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,800,000)</u>	<u>(1,806,391)</u>	<u>77,281</u>	<u>1,883,672</u>
Fund balance, July 1, 2012	<u>1,800,000</u>	<u>1,800,000</u>	<u>2,046,946</u>	<u>246,946</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ (6,391)</u>	<u>\$ 2,124,227</u>	<u>\$ 2,130,618</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>SPECIAL REVENUE FUND</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
State sources				
Other	\$ 182,659	\$ 207,930	\$ 249,320	\$ 41,390
Intermediate sources	-	-	-	-
Federal - direct	-	-	-	-
Federal - indirect	552,313	542,653	539,584	(3,069)
Revenue in lieu of taxes	-	-	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>734,972</u>	<u>750,583</u>	<u>788,904</u>	<u>38,321</u>
<b>EXPENDITURES</b>				
Instruction	708,909	702,639	749,756	(47,117)
Support services				
District administration	-	45,000	33,349	11,651
Student transportation	26,063	26,063	28,918	(2,855)
<b>Total expenditures</b>	<u>734,972</u>	<u>773,702</u>	<u>812,023</u>	<u>(38,321)</u>
Excess (deficit) of revenues over expenditures	-	(23,119)	(23,119)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	23,119	23,119	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	-	<u>23,119</u>	<u>23,119</u>	-
Net change in fund balances	-	-	-	-
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
AS OF JUNE 30, 2013**

<b>ASSETS</b>	<b>FOOD SERVICE FUND</b>	<b>TOTAL</b>
<b>CURRENT</b>		
Cash and cash equivalents	\$ 52,765	\$ 52,765
Accounts receivable	32,329	32,329
Inventory	22,924	22,924
	<hr/>	<hr/>
Total current	108,018	108,018
	<hr/>	<hr/>
<b>NONCURRENT</b>		
General equipment	375,748	375,748
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	(392,885)	(392,885)
	<hr/>	<hr/>
Total noncurrent	129,844	129,844
	<hr/>	<hr/>
Total assets	<u>\$ 237,862</u>	<u>\$ 237,862</u>
 <b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	<u>\$ 5,493</u>	<u>\$ 5,493</u>
	<hr/>	<hr/>
Total current	5,493	5,493
	<hr/>	<hr/>
Total liabilities	<u>5,493</u>	<u>5,493</u>
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	129,844	129,844
Nonspendable - inventories	22,924	22,924
Unrestricted - net position	79,601	79,601
	<hr/>	<hr/>
Total net position	232,369	232,369
	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 237,862</u>	<u>\$ 237,862</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>		
Food service sales	\$ 369,947	\$ 369,947
Other operating revenues	6,387	6,387
Total operating revenues	376,334	376,334
<b>OPERATING EXPENSES</b>		
Salaries and wages	430,625	430,625
Professional and contract services	15,264	15,264
Supplies and materials	426,119	426,119
Depreciation	21,652	21,652
Other operating expenses	3,631	3,631
Total operating expenses	897,291	897,291
Operating loss	(520,957)	(520,957)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants	316,196	316,196
State grants	53,245	53,245
Interest income	1,840	1,840
Donated commodities and other donations	38,561	38,561
Loss on fixed assets	-	-
Transfer of funds	-	-
Total nonoperating revenues (expenses)	409,842	409,842
Net loss	(111,115)	(111,115)
Total net position, July 1, 2012	343,484	343,484
Total net position, June 30, 2013	\$ 232,369	\$ 232,369

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from lunchroom sales	\$ 369,947	\$ 369,947
Cash received from other activities	6,387	6,387
Cash payments to employees for services	(430,625)	(430,625)
Cash payments to suppliers for goods and services	(429,991)	(429,991)
Cash payments for other operating activities	(3,631)	(3,631)
Net cash used in operating activities	(487,913)	(487,913)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Principal payments on capital leases	-	-
Acquisition of capital assets	-	-
Net cash used in capital financing activities	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Non-operating grants received	375,673	375,673
Net cash provided by noncapital financing activities	375,673	375,673
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer of funds	-	-
Interest on investments	1,840	1,840
Net cash provided by investing activities	1,840	1,840
Net decrease in cash and cash equivalents	(110,400)	(110,400)
Cash and cash equivalents - beginning	163,165	163,165
Cash and cash equivalents - ending	\$ 52,765	\$ 52,765
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (520,957)	\$ (520,957)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES</b>		
Depreciation	21,652	21,652
Changes in assets and liabilities:		
Decrease in inventory	7,179	7,179
Increase in accounts payable	4,213	4,213
Net cash used in operating activities	\$ (487,913)	\$ (487,913)
<b>SCHEDULE OF NON-CASH TRANSACTIONS</b>		
Donated commodities received from federal government	\$ 38,561	\$ 38,561

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Walton-Verona 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 the Walton-Verona School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Walton-Verona Board of Education. 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 Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Walton-Verona School District Finance Corporation - The Walton-Verona Board of Education authorized the establishment of the Walton-Verona School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Walton-Verona Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-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 reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

The District-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 accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
  
- (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 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 on page 43. This is a major fund of the District.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

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

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

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (agency and trust funds)

The Trust/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.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Accounting (cont'd)

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are 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 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.

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) of the United States of America. 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).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 District-wide statement of net assets 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 District-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. 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 asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Fund Balance Reserves

Beginning with fiscal year 2012, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - ESTIMATES**

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

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$6,100,352. Of the total cash balance, \$750,000 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consist of the following:

	Bank Balance	Book Balance
The Bank of Kentucky	\$ 6,048,888	\$ 5,812,411
Heritage Bank	41,073	41,073
Farmers National Bank	10,391	10,391
 Total	 \$ 6,100,352	 \$ 5,863,875

Allocation per financial statements:

Governmental funds	\$ 5,411,187
Proprietary funds	52,765
Activity funds	399,923
	\$ 5,863,875

**NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled approximately \$231,893 for those employees with twenty-seven or more years of experience. The Board has reserved \$69,324 of its General Fund for unpaid sick leave benefits.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE E - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Land	\$ 1,076,853	\$ -	\$ -	\$ 1,076,853
Construction in progress	1,770,947	25,364	1,770,947	25,364
Land improvements	1,013,612	-	-	1,013,612
Buildings and improvements	29,806,412	2,012,935	-	31,819,347
Technology equipment	2,036,253	-	-	2,036,253
Vehicles	1,518,034	137,480	-	1,655,514
General equipment	327,472	-	-	327,472
Totals at historical cost	<u>37,549,583</u>	<u>2,175,779</u>	<u>1,770,947</u>	<u>37,954,415</u>
Less: accumulated depreciation				
Land improvements	388,784	49,535	-	438,319
Buildings and improvements	6,071,594	788,824	-	6,860,418
Technology equipment	1,954,971	32,656	-	1,987,627
Vehicles	1,196,381	70,790	-	1,267,171
General equipment	196,042	18,303	-	214,345
Total accumulated depreciation	<u>9,807,772</u>	<u>960,108</u>	<u>-</u>	<u>10,767,880</u>
Governmental activities capital assets - net	<u>\$ 27,741,811</u>	<u>\$ 1,215,671</u>	<u>\$ 1,770,947</u>	<u>\$ 27,186,535</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 375,748	\$ -	\$ -	\$ 375,748
Buildings and improvements	146,981	-	-	146,981
Totals at historical cost	<u>522,729</u>	<u>-</u>	<u>-</u>	<u>522,729</u>
Less: accumulated depreciation				
General equipment	97,779	3,509	-	101,288
Buildings and improvements	273,454	18,143	-	291,597
Total accumulated depreciation	<u>371,233</u>	<u>21,652</u>	<u>-</u>	<u>392,885</u>
Business - type activities capital assets - net	<u>\$ 151,496</u>	<u>\$ (21,652)</u>	<u>\$ -</u>	<u>\$ 129,844</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE F – COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of equipment under capital leases expiring in 2017. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2013, for each of the next five years and in the aggregate are as follows:

	2014	\$ 76,877
	2015	32,502
	2016	15,342
	2017	3,705
	Thereafter	-
Total minimum rentals		128,426
Less: amount representing interest		(6,847)
Present value of net minimum lease payments		\$ 121,579

**NOTE G - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
December 2002	\$ 1,130,000	1.500% - 3.900%
June 2004	\$ 1,295,000	2.700% - 5.000%
August 2006	\$ 10,825,000	3.500% - 4.250%
May 2007	\$ 2,280,000	3.600% - 4.000%
May 2008	\$ 890,000	3.150% - 3.150%
November 2009	\$ 2,700,000	2.000% - 4.000%
October 2010	\$ 800,000	1.500% - 3.100%
March 2011	\$ 1,610,000	2.000% - 4.250%
March 2012	\$ 985,000	1.500% - 2.350%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE G - LEASE OBLIGATIONS AND BONDED DEBT (CONT'D)**

The District entered into "participation agreements" with the School Facility Construction Commission (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 in Note Q 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.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as reported on Note Q on page 35.

**NOTE H - RETIREMENT PLANS**

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2013 was \$791,347, which consisted of \$72,600 from the District and \$718,747 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$702,204 and \$646,579, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE H - RETIREMENT PLANS (CONT'D)**

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2013, was \$466,470, which consisted of \$368,519 from the District and \$97,951 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$450,877 and \$377,702, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

The District's total payroll for the year was \$8,587,032. The payroll for employees covered under KTRS was \$6,621,340 and for CERS was \$1,885,004.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY.

**NOTE I - CONTINGENCIES**

Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantor 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 the programs.

**NOTE J - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE K - 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 participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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 L - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, not including interfund transfers. Special Revenue fund deficit was supplemented with transfers from the General fund. Debt Service fund deficit was supplemented with transfers from Capital Outlay and Building funds.

Construction Fund	\$ 252,352
Special Revenue Fund	\$ 23,119
Debt Service Fund	\$ 1,346,330
Food Service	\$ 111,115
Walton-Verona High School	\$ 58,158
Walton-Verona Elementary	\$ 3,940

**NOTE M – COBRA**

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE N - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 23,119
320	360	Construction	\$ 64,574
320	400	Debt Service	\$ 1,201,847
310	400	Debt Service	\$ 144,483

**NOTE O - ON-BEHALF PAYMENTS**

For the year ended June 30, 2013, total payments of \$2,438,333 were made for life insurance, health insurance, KTRS matching, administrative fees, technology and vocational education by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 2,156,873
Debt Service	236,230
Food Service Fund	<u>45,230</u>
Total On-Behalf Payments	<u>\$ 2,438,333</u>

**NOTE P - CONTINGENT LIABILITY**

Over the past years the District has been a participant in the Kentucky School Board Insurance Trust in which the District purchased general liability and workers' compensation insurance. As of June 30, 2013 the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$63,499. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE Q- MATURITY OF GENERAL LONG-TERM OBLIGATIONS**

**2002C, 2004, 2006, 2007, 2008R, 2009, 2010R, 2011, and 2012R SERIES**

<b>FISCAL YEAR</b>	<b>WALTON - VERONA SCHOOL DISTRICT</b>		<b>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</b>		<b>TOTAL REQUIREMENTS</b>
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	
2013-2014	\$ 798,901	\$ 546,236	\$ 151,157	\$ 77,148	\$ 1,573,442
2014-2015	833,996	519,114	152,080	72,157	1,577,347
2015-2016	854,107	491,393	160,893	67,282	1,573,675
2016-2017	890,188	462,286	164,812	62,202	1,579,488
2017-2018	915,967	431,423	164,033	56,976	1,568,399
2018-2019	955,902	399,548	154,098	51,821	1,561,369
2019-2020	991,273	365,120	120,949	47,191	1,524,533
2020-2021	1,022,047	329,015	127,953	42,869	1,521,884
2021-2022	1,062,614	290,934	132,386	38,334	1,524,268
2022-2023	1,107,634	247,587	137,366	33,262	1,525,849
2023-2024	1,147,478	202,857	142,522	28,011	1,520,868
2024-2025	1,207,662	153,970	132,338	22,397	1,516,367
2025-2026	1,012,657	107,044	137,343	16,937	1,273,981
2026-2027	1,059,035	63,750	120,965	11,595	1,255,345
2027-2028	264,077	34,479	50,923	8,096	357,575
2028-2029	272,143	23,809	52,857	6,004	354,813
2029-2030	287,699	12,554	52,301	4,483	357,037
2030-2031	105,728	4,493	44,272	1,882	156,375
	<u>\$ 14,789,108</u>	<u>\$ 4,685,612</u>	<u>\$ 2,199,248</u>	<u>\$ 648,647</u>	<u>\$ 22,322,615</u>

**NOTE R- SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2013, which represents the release date of our report.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 AS OF JUNE 30, 2013**

	<b>CAPITAL OUTLAY FUND</b>	<b>CONSTRUCTION FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ -	\$ 56,355	\$ -	\$ 56,355
Accounts receivable	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 56,355</b>	<b>\$ -</b>	<b>\$ 56,355</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 17,145	\$ -	\$ 17,145
<b>Total liabilities</b>	-	17,145	-	17,145
<b>FUND BALANCES</b>				
Restricted				
Capital projects	-	39,210	-	39,210
Unassigned	-	-	-	-
<b>Total fund balances</b>	-	39,210	-	39,210
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 56,355</b>	<b>\$ -</b>	<b>\$ 56,355</b>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>REVENUES</b>	<b>CAPITAL OUTLAY FUND</b>	<b>CONSTRUCTION FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
From local sources				
Property taxes	\$ -	\$ -	\$ -	\$ -
Motor vehicle taxes	-	-	-	-
Other local revenues	-	15,000	-	15,000
Earnings on investments	-	-	-	-
State sources				
SEEK	144,483	-	-	144,483
Other	-	-	236,230	236,230
<b>Total revenues</b>	<b>144,483</b>	<b>15,000</b>	<b>236,230</b>	<b>395,713</b>
<b>EXPENDITURES</b>				
Support services				
Instruction staff	-	-	-	-
Plant operation and maintenance	-	-	-	-
Facilities acquisition and construction	-	267,352	-	267,352
Debt service	-	-	1,582,560	1,582,560
<b>Total expenditures</b>	<b>-</b>	<b>267,352</b>	<b>1,582,560</b>	<b>1,849,912</b>
Excess of revenues over expenditures	144,483	(252,352)	(1,346,330)	(1,454,199)
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	(144,483)	64,574	1,346,330	1,266,421
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	-	(187,778)	-	(187,778)
Net change in fund balances	-	(187,778)	-	(187,778)
Fund balance, July 1, 2012	-	226,988	-	226,988
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ 39,210</u>	<u>\$ -</u>	<u>\$ 39,210</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ISSUE OF 2002C</u>	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2006</u>	<u>ISSUE OF 2007</u>	<u>ISSUE OF 2008R</u>	<u>ISSUE OF 2009</u>	<u>ISSUE OF 2010R</u>	<u>ISSUE OF 2011</u>	<u>ISSUE OF 2012R</u>	<u>Total</u>
<b>Cash at July 1, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>										
Transfers and miscellaneous deposits	202,602	49,530	704,390	167,895	73,348	199,795	40,493	112,450	32,057	1,582,560
<b>Disbursements:</b>										
Bonds paid	195,000	45,000	325,000	95,000	55,000	115,000	20,000	60,000	15,000	925,000
Interest coupons	7,602	4,530	379,390	72,895	18,348	84,795	20,493	52,450	17,057	657,560
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-	-
Total disbursements	202,602	49,530	704,390	167,895	73,348	199,795	40,493	112,450	32,057	1,582,560
Excess of disbursements over receipts	-	-	-	-	-	-	-	-	-	-
<b>Cash at June 30, 2013</b>	-	-	-	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>										
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-	-
<b>Fund balance at June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditor's Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FUND BALANCE JULY 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2013</u>
12-13 Fees	\$ 2,104	\$ 30,040	\$ 32,144	\$ -
2012-2013 HS Fees	13,605	44,237	37,070	20,772
5th Grade Classes	775	3,020	3,795	-
7th Grade Classes	117	55	172	-
8th chorus	-	900	900	-
8th Consumerism	2,000	320	2,320	-
8th Drama	1,445	320	1,765	-
8th Grade Band	250	1,425	1,675	-
8th Grade Classes	200	-	200	-
Agriculture	82	-	-	82
Altheic Boosters	9,495	53,208	48,927	13,776
AP Classes	261	-	38	223
APEX	19	-	-	19
Art Club	209	322	531	-
Art Fund	758	1,028	1,714	72
Athletic Trainer	70	378	448	-
Athletics	39,572	117,277	141,659	15,190
Band	820	8,134	8,920	34
Band Trip	551	5,693	4,427	1,817
Baseball	11,956	17,681	22,502	7,135
Basketball	3,555	13,556	16,639	472
Best Seat in the House	354	-	354	-
Beta Club	1,240	1,796	1,404	1,632
Bowling Club	1	-	-	1
Boys Soccer	2,929	3,390	6,277	42
Business Fund	795	133	169	759
Cappie Stephenson	3,563	-	300	3,263
Cashbox	-	2,900	2,900	-
Choral Music	587	6,502	7,045	44
Club Scholarship	5	175	150	30
Concession Fund	1,319	2,450	1,209	2,560
Cross Country	2,951	2,561	5,188	324
Drama	2,350	4,527	6,019	858
Emergency Assistance	718	-	-	718
English	52	20	-	72
Environmental Club	823	-	115	708
Evan Ryan Memorial Fund	343	2,177	2,500	20
Evan Ryan Scholarship - CD	41,041	32	-	41,073
Exercise Equipment	649	-	-	649
Family & Con Science	217	3,433	3,650	-
FBLA	618	7,783	7,997	404
FCA	103	171	217	57
FCCLA	213	5,530	5,742	1
FFA	8,875	14,077	15,107	7,845
Football	8,194	20,751	20,850	8,095

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FUND BALANCE JULY 1, 2012</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2013</b>
G.L.O.W.	\$ 3	\$ 100	\$ 98	\$ 5
General Fund	10,295	1,696	3,820	8,171
General Music	198	160	357	1
Girls Basketball	3,011	25,667	28,678	-
Girls Golf	569	334	434	469
Girls Soccer	579	3,711	2,753	1,537
Giving Tree	2,063	1,430	1,772	1,721
Golf	68	1,475	925	618
GSSP	644	615	638	621
Guidance Fund	107	1,773	1,804	76
Health	282	43	21	304
HS Student Council	812	237	-	1,049
Instructional Volleyball	5,077	2,430	7,507	-
Jr Hi Cheerleaders	191	1,145	1,336	-
Jr. Beta	1,043	1,455	2,498	-
Junior Class	7,152	5,960	4,148	8,964
Kendal Smith Scholarship	10	2,629	1,000	1,639
Kendall Smith Scholarship - CD	10,322	69	-	10,391
Larry's Kids Foundation	80,230	8,892	72,411	16,711
Larry's Kids Foundation - CD	-	71,050	-	71,050
Les Stephens Scholarship	-	1,000	1,000	-
Library Fines	452	81	27	506
Math	2,960	1,779	1,944	2,795
Media	575	75	15	635
MS 6-7 Tech Class	296	402	698	-
MS art 5-7	13	1,158	1,171	-
MS Art 8th Grade	67	520	587	-
MS Art Club	503	-	503	-
MS Band 5-7	1,195	11,762	12,957	-
MS Bookfest 2011-2012	210	-	210	-
MS bookstore	-	75	75	-
MS Chorus	4,628	3,768	8,396	-
MS Cooking Club	43	-	43	-
MS Drama Club	60	-	60	-
MS eaf	2,615	100	2,715	-
MS Faculty Fund	161	1,312	1,473	-
MS general	15,707	45,594	10,488	50,813
MS glow club	-	250	250	-
MS Music 5-7	116	2,432	2,548	-
MS Music 8th Grade	865	-	865	-
MS N.K.O.A.	254	250	504	-
MS Physical Education 5-7	728	758	1,486	-
MS Physical Education 8th	1,411	640	2,051	-
MS Rewards Account	514	12,228	12,742	-
MS running club	-	84	84	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FUND BALANCE JULY 1, 2012</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2013</b>
MS Science 5-7	\$ 2,920	\$ 1,725	\$ 4,645	\$ -
MS school climate	-	900	900	-
MS Service Learning	1,175	3,367	4,542	-
MS Stem	51	193	244	-
MS Technology 5-8	13,457	5,083	18,540	-
MS Workbook	80	3,455	3,535	-
MS Y-Club 5-7	1,619	2,640	4,259	-
MS Yearbook	4,787	5,390	10,177	-
N.K.O.A.	230	125	281	74
Parking Permit	3,848	870	300	4,418
Physical Education	1,654	3,316	3,305	1,665
Poster Marker MS/HS	161	799	960	-
Project Prom	138	9,622	6,890	2,870
Quest Program	2,091	238	2,000	329
Reading	545	618	-	1,163
Rhoda Humphrey Memorial	900	-	263	637
S.A. funds	-	321	321	-
School Climate Fund	5,559	540	1,709	4,390
Science Fund	996	3,350	1,488	2,858
Senior Class 2012/2013	340	7,959	8,299	-
Social Studies	718	-	-	718
Softball	44	6,025	5,723	346
Spanish	98	-	-	98
Spanish Club	129	165	232	62
Special Education	14	-	-	14
Spirit Club	151	-	151	-
Technology	13,811	7,411	21,222	-
Technology Club	656	-	-	656
Tennis	-	4,217	4,188	29
Textbooks	2,004	10,698	12,702	-
Theatre	179	5,865	5,863	181
Tournament Account	-	2,600	2,428	172
Track	5,495	14,258	14,512	5,241
Varsity Cheer	512	6,427	5,642	1,297
Volleyball	236	7,825	7,379	682
W. Hayes Scholarship	1,840	-	500	1,340
Wake up Walton	1,965	3,100	3,828	1,237
Wellness Center	1,759	100	315	1,544
Workbooks	11,911	5,884	5,463	12,332
Wrestling	540	8,688	6,875	2,353
WV Appreciation Fund	1,597	-	500	1,097
Y Club	396	5,465	5,738	123
Yearbook	18,779	12,565	18,003	13,341
	<u>18,779</u>	<u>12,565</u>	<u>18,003</u>	<u>13,341</u>
Total	<u>\$ 425,198</u>	<u>\$ 742,945</u>	<u>\$ 800,053</u>	<u>\$ 368,090</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
 ELEMENTARY SCHOOL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	<b>WALTON- VERONA ELEMENTARY SCHOOL</b>	<b>TOTAL</b>
Fund balance at July 01, 2012	\$ 35,773	\$ 35,773
Add: receipts	81,226	81,226
Less: disbursements	(85,166)	(85,166)
Fund balance at June 30, 2013	\$ 31,833	\$ 31,833

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM / CLUSTER TOTALS
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Title II - Improving Teacher Quality State Grant	84.367	3230002 12	\$ 49,311	\$ 49,311
Education Jobs Fund	84.410	EJOB00 10	2,170	2,170
Career and Technical Education - Basic Grants to States	84.048	4621032 11	1,779	
Career and Technical Education - Basic Grants to States	84.048	4621032 12	42,235	44,014
Title I - Grants to Local Educational Agencies	84.010	3100002 11	14,498	
Title I - Grants to Local Educational Agencies	84.010	3100002 12	112,655	127,153
<b>Special Education Cluster:</b>				
Special Education Grants to States	84.027	3810002 12	292,933	
Special Education Preschool Grants	84.173	3800002 12	24,003	316,936
<b>Total U.S. Department of Education</b>			539,584	539,584
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Kentucky Department of Education:</i>				
<b>Child Nutrition Cluster:</b>				
National School Lunch Program	10.555	7750002 12	45,655	
National School Lunch Program	10.555	7750002 13	211,267	
School Breakfast Program	10.553	7760005 13	48,866	
School Breakfast Program	10.553	7760005 12	10,407	
<i>Passed through the Kentucky Department of Agriculture:</i>				
National School Lunch Program - Food Donation	10.555	081-0100	38,561	354,756
<b>Total U.S. Department of Agriculture</b>			354,756	354,756
<b>Total Expenditures of Federal Awards</b>			\$ 894,340	\$ 894,340

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Walton-Verona Independent School District under programs of the federal government for the year ended June 30, 2013, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Walton-Verona Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2013, the District reported food commodities expended in the amount of \$38,561.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unmodified opinion on the basic financial statements of the Walton-Verona Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements or reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Walton-Verona Independent School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit or reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 for Walton-Verona Independent School District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings required to be reported under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs were: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; National School Lunch Program - Food Donation, CFDA #10.555; Career and Technical Education - Basic Grants to States, CFDA #84.048 and Title II- Improving Teacher Quality State Grants, CFDA #84.367.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Walton-Verona Independent School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2013**

**BOARD MEMBERS**

Paula Jolley  
Term Expires - December 31, 2014

Tina Crase  
Term Expires - December 31, 2014

Megan Jones  
Term Expires - December 31, 2016

Kevin Flynn  
Term Expires - December 31, 2016

Bill Freeman  
Term Expires - December 31, 2014

**ADMINISTRATIVE PERSONNEL**

Dr. Robert Storer  
Superintendent

Ms. Pam Saylor  
Deputy Superintendent

Mr. Kevin Ryan  
Director of Finance

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

To the Members of the Board of Education  
Walton-Verona Independent School District  
16 School Road  
Walton, Kentucky 41094

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walton-Verona Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Walton-Verona Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Walton-Verona Independent School District's internal control over financial reporting (internal control) to determine the audit procedures 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 Walton-Verona Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walton-Verona Independent School 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Walton-Verona Independent School District's financial statements are free from 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*.

### **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 entity'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.

Handwritten signature of Bruce Spahr in cursive script.

Crestview Hills, Kentucky  
November 11, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education  
Walton-Verona Independent School District  
16 School Road  
Walton, Kentucky 41094

**Report on Compliance for Each Major Federal Program**

We have audited Walton-Verona Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walton-Verona Independent School District's major federal programs for the year ended June 30, 2013. Walton-Verona Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, Walton-Verona Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Walton-Verona 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 Walton-Verona 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walton-Verona 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky  
November 11, 2013

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated November 11, 2013 on the financial statements of the Walton-Verona Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**ACTIVITY FUNDS**

**Walton – Verona High School and Middle School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Walton – Verona Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Central Office**

None

**ACTIVITY FUNDS**

**Walton – Verona High School and Middle School**

None

**Walton – Verona Elementary School**

None