

WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2013

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WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION  
 TABLE OF CONTENTS

	Pages
<b>Unmodified Opinions on Basic Financial Statements Accompanied            By Required Supplementary Information and Other Information -            State or Local Governmental Entity            Independent Auditor’s Report</b>	4-6
<b>Management’s Discussion and Analysis</b>	7-12
<b>Basic Financial Statements:</b>	
<b>District-wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Position – Fiduciary Funds	22

WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION  
TABLE OF CONTENTS

	Pages
<b>Notes to the Financial Statements</b>	23-40
<b>Supplementary Information:</b>	
<b>Budget Comparison:</b>	
Budgetary Comparison Schedule for the General Fund	42
Budgetary Comparison Schedule for Special Revenue	43
<b>Combining Statements – Nonmajor Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	45
<b>Combining Statements – Fiduciary Funds:</b>	
Combining Statement of Net Position – Fiduciary Funds	46
Combining Statement of Receipts and Disbursements – Fiduciary Funds	47
<b>Statement of Receipts, Disbursements, and Due to Student Groups     Williamstown High School</b>	48-49
<b>Schedule of Expenditures of Federal Awards</b>	50-51
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	52
<b>Report on Internal Control Over Financial Reporting and on Compliance     And Other Matters Based on an Audit of the Financial Statements     Performed in Accordance with <u>Government Auditing Standards</u>     (for a Governmental Entity) (No Material Weaknesses Identified: No     Significant Deficiencies Identified, And Reportable Instances of Noncompliance,     and Other Matters identified)</b>	53-54
<b>Report on Compliance For Each Major Program; Report on Internal     Control Over Compliance; and Report on the Schedule of Expenditures     Of Federal Awards Required by OMB Circular A-133 (Unmodified Opinion     On Compliance for each Major Program; No Material Weaknesses or     Significant Deficiencies in Internal Control Over Compliance Identified)</b>	55-57
<b>Schedule of Findings and Questioned Costs</b>	58
<b>Schedule of Prior Year Audit Findings</b>	59
<b>Management Letter</b>	61-65

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**Unmodified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Other  
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Williamstown Independent Board of Education  
Williamstown, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamstown Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Board 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 on pages 7 through 12 and budgetary comparison information on pages 42 and 43 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013 on our consideration of the Board'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 the Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 3, 2013

**WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION  
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Williamstown Independent 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 \$1,854,727.

The General Fund had \$6,776,933 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$6,858,147 in General Fund expenditures. This includes on-behalf payments.

The only raises given for the fiscal year was step and/or rank increases.

Misty Middleton was promoted to Assistant Superintendent with no raise in salary.

The District continues to supplement the School Based Scholars' Program not to exceed \$18,000.

The District replaced "Spring Board" and "History Alive" curricular consumables at the Jr. High School.

The District purchased Spanish I and II textbooks and Agricultural curriculum and equipment in support of those programs.

The District replaced Jr./Sr. High School Teacher's computer work stations.

The contract for Preschool Services between the Williamstown Independent School District and the Grant County School District was dissolved effective June 30, 2013.

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

During the 2012-13 school year, board approval was given to repair/replace portions of the elementary roof, as well as, the Gym I roof.

The District filed a capital funds request and received KDE approval to use those monies to pay for the District's property insurance at the rate of \$26,468.

The District achieved Energy Star rating from the U.S. Environmental Protection Agency for superior energy efficiency. The District saved over approximately \$50,000 over the last two years. There was an 11.8% decrease in the 2012-13 school year despite a 16.283% increase in utility costs from July 2012 to July 2013.

## 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.

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 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 is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 13 and 14 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 proprietary fund is 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 15-22 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 23-40 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 \$2.6 million as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets 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.

### Net position for the period ending June 30, 2013 and 2012

2012 District-wide net position compared to 2013 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets	\$15,991	\$15,292	\$1,237	\$1,317	\$17,228	\$16,609
Deferred Outflows of Resources	\$330	\$307	\$0	\$0	\$330	\$307
Liabilities	\$13,364	\$12,907	\$8	\$30	\$13,372	\$12,937
Deferred Inflows of Resources	\$41	\$78	\$0	\$0	\$41	\$78
Investment in capital assets (net of debt)	\$1,239	\$1,488	\$1,208	\$1,267	\$2,447	\$2,755
Restricted	293	355	21	20	314	375
Unrestricted	<u>1,384</u>	<u>771</u>	<u>0</u>	<u>0</u>	<u>1,384</u>	<u>771</u>
<b>Total Net Position</b>	\$2,916	\$2,614	\$1,229	\$1,287	\$4,145	\$3,901

### 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 year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$465,665 in contingency, which is 8.0 percent.

### Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. "On-Behalf" payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.

	<b>Changes in Net Position (in thousands)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
<b>Revenues</b>						
Local Revenue Sources	\$1,797	\$1,799	\$198	\$126	\$1,995	\$1,925
State Revenue Sources	6,510	6,702	67	62	6,577	6,764
Federal Revenue Sources	1,185	1,110	317	345	1,502	1,455
Investments	<u>36</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>36</u>	<u>25</u>
<b>Total Revenues</b>	<b>9,528</b>	<b>9,636</b>	<b>582</b>	<b>533</b>	<b>10,110</b>	<b>10,169</b>
<b>Expenses</b>						
Instruction	5,473	5,167			5,473	5,167
Student Support Services	373	423			373	423
Instructional Support	645	630			645	630
District Administration	333	511			333	511
School Administration	461	473			461	473
Business Support	242	244			242	244
Plant Operations	566	588			566	588
Student Transportation	510	527			510	527
Facilities Acquisition & Construction	110	0			110	0
Community Support	78	111			78	111
Food Service	6	15	656	680	662	695
Debt Service	<u>2,400</u>	<u>1,172</u>			<u>2,400</u>	<u>1,172</u>
<b>Total Expenses</b>	<b>11,197</b>	<b>9,861</b>	<b>656</b>	<b>680</b>	<b>11,853</b>	<b>10,541</b>
Capital Contribution			676	135	676	135
Bond/Capital Lease proceeds	1,235	217			1,235	217
Transfers	(9)	(68)	9	68	0	0
<b>Change in Net Position</b>	<b>(443)</b>	<b>(75)</b>	<b>611</b>	<b>57</b>	<b>168</b>	<b>(18)</b>
<b>Beginning Net Position</b>	<b><u>2,289</u></b>	<b><u>1,846</u></b>	<b><u>618</u></b>	<b><u>1,229</u></b>	<b><u>2,907</u></b>	<b><u>3,075</u></b>
<b>Ending Net Position</b>	<b>\$1,846</b>	<b>\$1,771</b>	<b>\$1,229</b>	<b>\$1,286</b>	<b>\$3,075</b>	<b>\$3,057</b>

The government's overall financial position and results of operations declined as a result of the year's operations as reflected in the decrease in net position for the year.

## INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

### Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$1,641	\$6,995	\$7,076	(\$55)	\$1,505
Special Revenue	\$0	\$1,681	\$1,694	\$13	\$0
Capital Outlay	\$0	\$83	\$0	(\$83)	\$0
Building	\$137	\$683	\$0	(\$820)	\$0
Construction	\$67	\$0	\$0	\$199	\$266
Debt Service	\$2	\$412	\$1,091	\$677	\$0

**Capital Assets and Long-Term Debt Activity (in thousands)**

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$19,959	\$84	\$53	\$19,990
Accumulated Depreciation	\$5,899	\$728	\$49	\$6,578
<b>Business-Type</b>				
Capital Assets	\$1,470	\$135	\$0	\$1,605
Accumulated Depreciation	\$262	\$77	\$0	\$339
Bonds Payable	\$12,570	\$0	\$647	\$11,923
Capital Leases Payable	\$524	\$217	\$150	\$591

**CURRENT ISSUES**

The Board terminated the contract between the Grant County Board of Education for Preschool services for the fiscal year ending June 30, 2014.

The District plans to set property tax rates at a rate of 88.4 which is the same rate as the previous year's rate.

The Board of Education will be reviewing in the Fall of 2013 the non-resident tuition rate, looking at possible rate increases for the 2014-15 school year.

The District has added a Family Consumer Science Teacher at the Jr./Sr. High School in order to offer more career majors. Since the District has not had a Family Consumer Science program since 2007 almost all of the equipment and supplies must be replaced.

The District plans to supplement the School Based Scholar's Program not to exceed \$18,000.

The District is in the middle of a building project to repair/replace portions of the elementary roof and the Gym I roof. Monies from the general fund have been appropriated to the project in order to complete the full scope of work. The budget for the project is tight and does not include any contingency funds. Therefore, if work orders must be changed the general fund will have to pick up those additional costs.

The District supported Band program is in need of new school owned instruments. The District plans to work towards an affordable replacement schedule.

The District plans to continue to improve the North parking lot by replacing sections of concrete in need of repair.

The District must replace XP computer operating systems by April 15, 2014 with Windows 7.

The District plans to replace inoperable security cameras which may include a new operating system.

The District plans to begin discussions on how to give more than step/rank increases to all staff for the 2014-15 school year.

Due to the dissolution of KSBIT, Districts have been informed there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, Sally Skinner, or to the Treasurer, LeAnn Collins, 859-824-7144, or by mail at 300 Helton Street Williamstown, Ky 41097.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$1,768,313	\$0	\$1,768,313
Accounts receivable	111,802	30,196	141,998
Inventory		20,087	20,087
Capital assets			
Land and construction in progress	95,130		95,130
Other capital assets, net of depreciation	<u>13,316,734</u>	<u>1,266,509</u>	<u>14,583,243</u>
Total capital assets	<u>13,411,864</u>	<u>1,266,509</u>	<u>14,678,373</u>
<b>TOTAL ASSETS</b>	<b>\$15,291,979</b>	<b>\$1,316,792</b>	<b>\$16,608,771</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Bond issue costs	\$307,732		\$307,732
<b>LIABILITIES</b>			
Cash in Bank Overdraft	\$0	\$30,196	\$30,196
Accounts payable	31,074		31,074
Interest payable	56,879		56,879
KSBIT liability	138,393		138,393
Long-term Liabilities			
Due within 1 year	823,988		823,988
Due in more than 1 year	<u>11,856,259</u>		<u>11,856,259</u>
<b>TOTAL LIABILITIES</b>	<b>\$12,906,593</b>	<b>\$30,196</b>	<b>\$12,936,789</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenues	78,385		78,385
<b>NET POSITION</b>			
Net investment in capital assets	\$1,488,405	\$1,266,509	\$2,754,914
Restricted			
Inventories		20,087	20,087
Accrued sick leave	82,556		82,556
Future Construction Projects	265,756		265,756
Debt Service	41		41
Site Based Carryforward	6,949		6,949
Unrestricted	<u>771,026</u>		<u>771,026</u>
<b>TOTAL NET POSITION</b>	<b>\$2,614,733</b>	<b>\$1,286,596</b>	<b>\$3,901,329</b>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$5,657,036	\$74,164	\$1,195,399		(\$4,387,473)	\$	(\$4,387,473)
Support services:							
Student	432,105		63,981		(\$368,124)		(368,124)
Instruction staff	640,692		72,437		(\$568,255)		(568,255)
District administrative	300,706				(\$300,706)		(300,706)
School administrative	477,130		462		(\$476,668)		(476,668)
Business	244,613		23,052		(\$221,561)		(221,561)
Plant operation and maintenance	742,357				(\$742,357)		(742,357)
Student transportation	628,175		205,832		(\$422,343)		(422,343)
Food service	15,357				(\$15,357)		(15,357)
Community service activities	111,037		111,028		(\$9)		(9)
Interest on long-term debt	479,692		8,571	459,387	(\$11,734)		(11,734)
Total governmental activities	9,728,900	74,164	1,680,762	459,387	(7,514,587)		(7,514,587)

**Business-type Activities**

Food service	679,734	126,296	406,981		(146,457)		(146,457)
Total business-type activities	679,734	126,296	406,981		(146,457)		(146,457)
Total school district	\$10,408,634	\$200,460	\$2,087,743	\$459,387	(\$7,514,587)		(\$7,661,044)

**General Revenues**

Property taxes	\$1,310,811						\$1,310,811
Motor Vehicle taxes	88,998						88,998
Utility taxes	236,157						236,157
State aid-formula grants	5,716,913						5,716,913
Investment earnings	25,317						25,317
Loss on sale of assets	(4,347)						(4,347)
Transfers	(203,464)					203,464	0
Miscellaneous	43,025						43,025
Total general & special	7,213,410					203,464	7,416,874
Change in net positions						57,007	(244,170)
Net position - beginning						1,229,589	4,145,499
Net position - ending						\$1,286,596	\$3,901,329

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2013

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$1,477,628	\$24,888	\$265,756	\$41	\$0	\$1,768,313
Other receivables	58,305	53,497				111,802
<b>TOTAL ASSETS</b>	<b>\$1,535,933</b>	<b>\$78,385</b>	<b>\$265,756</b>	<b>\$41</b>	<b>\$0</b>	<b>\$1,880,115</b>
<b>LIABILITIES</b>						
Accounts payable	\$31,074	\$0	\$0	\$0	\$0	\$31,074
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Revenues		78,385				78,385
<b>Fund Balances Restricted</b>						
Sick Leave Payable	82,556					82,556
Future Construction Projects			265,756			265,756
Debt Service Committed				41		41
Site Based Carryforward	6,949					6,949
Unassigned	1,415,354					1,415,354
<b>Total fund balances</b>	<b>1,504,859</b>	<b>0</b>	<b>265,756</b>	<b>41</b>	<b>0</b>	<b>1,770,656</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$1,535,933</b>	<b>\$78,385</b>	<b>\$265,756</b>	<b>\$41</b>	<b>\$0</b>	<b>\$1,880,115</b>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2013

Amounts reported for governmental activities in the statement of net position  
 are different because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$1,770,656</b>
Certain assets are not reported in this fund financial statement because they are recorded as current expenditures		
	Bond Issue Costs	307,732
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		
		13,411,864
Certain liabilities 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	(11,923,459)
	Capital Leases Payable	(591,676)
	KSBIT Liability	(138,393)
	Accrued Interest on Bonds	(56,879)
	Accumulated Sick Leave	<u>(165,112)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$2,614,733</b>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS

For the year ended June 30, 2013	General	Special	Construction	Debt Service	Other	Total
Revenues	Fund	Revenue	Fund	Fund	Governmental	Governmental
From local sources					Funds	Funds
Property taxes	\$1,056,888	\$	\$	\$	\$253,923	\$1,310,811
Motor vehicle taxes	88,998					88,998
Utility taxes	236,157					236,157
Earnings on investments	25,316			1		25,317
Other local revenues	117,189	45,544				162,733
Intergovernmental - State	5,252,385	525,613		411,908	512,007	6,701,913
Intergovernmental - Federal		<u>1,109,605</u>				<u>1,109,605</u>
Total revenues	<u>6,776,933</u>	<u>1,680,762</u>		<u>411,909</u>	<u>765,930</u>	<u>9,635,534</u>
Expenditures						
Instruction	3,958,831	1,208,448				5,167,279
Support services						
Student	359,305	63,981				423,286
Instruction staff	557,830	72,437				630,267
District administration	292,992					292,992
School administration	689,736	462				690,198
Business	221,019	23,052				244,071
Plant operation and maintenance	587,626					587,626
Student transportation	321,050	205,832				526,882
Food Service	15,357					15,357
Community service activities		111,028				111,028
Debt service	<u>72,128</u>	<u>8,571</u>		<u>1,091,004</u>		<u>1,171,703</u>
Total expenditures	<u>7,075,874</u>	<u>1,693,811</u>		<u>1,091,004</u>		<u>9,860,689</u>
Excess(deficit)of revenues over expenditures	(298,941)	(13,049)		(679,095)	765,930	(225,155)
Other Financing Sources (Uses)						
Capital lease proceeds	217,727					217,727
Operating transfers in	26,468	13,049	198,860	677,119		915,496
Operating transfers out	<u>(81,300)</u>				<u>(902,447)</u>	<u>(983,747)</u>
Total other financing sources (uses)	162,895	13,049	198,860	677,119	(902,447)	149,476
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(136,046)	0	198,860	(1,976)	(136,517)	(75,679)
Fund balance, July 1, 2012	<u>1,640,905</u>	<u>0</u>	<u>66,896</u>	<u>2,017</u>	<u>136,517</u>	<u>1,846,335</u>
Fund balance, June 30, 2013	\$1,504,859	\$0	\$265,756	\$41	\$0	\$1,770,656

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities  
 are different because:

**Total net change in fund balances - governmental funds** (\$75,679)

Capital outlays are reported as expenditures in this fund financial  
 statement because they use current financial resources, but they  
 are presented as assets in the statement of activities and  
 depreciated over their estimated economic lives. The difference  
 is the amount by which capital outlays exceeds depreciation  
 expense for the year.

Depreciation Expense	(727,782)	
Capital Outlays	<u>84,193</u>	(643,589)

Loss on sale of assets (4,347)

Bond issue costs are expensed as incurred in the fund balance  
 statement, but are amortized over the life of the bond in the  
 statement of activities:

Amortization Expense		(22,399)
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Bond proceeds provide current financial resources to  
 governmental funds, but issuing debt increases long-term  
 liabilities in the statement of net position. Repayment of bond  
 principal is an expenditure in the governmental funds, but the  
 repayment reduces long-term liabilities in the statement of net  
 position.

Repayment of Bond Principal		646,692
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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

Repayment of Capital Lease Principal		149,802
Proceeds from Capital Lease		(217,727)

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.

Change in Accrued Interest		430
KSBIT liability		(138,393)
Change in Sick Leave		<u>4,033</u>

**Total Change in Net Position - Governmental Activities** (\$301,177)

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 As of June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
ASSETS	
Accounts Receivable	\$30,196
Inventory	20,087
Capital Assets, net of depreciation	<u>1,266,509</u>
TOTAL ASSETS	\$1,316,792
LIABILITIES	
Cash in Bank Overdraft	\$30,196
TOTAL LIABILITIES	<u>30,196</u>
NET POSITION	
Net Investment in Capital Assets	1,266,509
Nonspendable-Inventories	20,087
Restricted Net Position	<u>0</u>
TOTAL NET POSITION	\$1,286,596

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$126,196
Other revenues	<u>100</u>
Total Operating Revenues	126,296
<b>OPERATING EXPENSES</b>	
Salaries and wages	295,481
Contract services	3,934
Materials and supplies	303,480
Depreciation	<u>76,839</u>
Total Operating Expenses	679,734
Operating income (loss)	(553,438)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants	318,011
State grants	4,873
State on-behalf payments	57,203
Transfer In from General Fund	68,251
Commodities received	<u>26,894</u>
Non-operating revenues (expenses)	475,232
Net income (loss) before Capital Contributions	(78,206)
Capital Contributions	135,213
Increase (decrease) in Net Position	57,007
Net Position, July 1, 2012	<u>1,229,589</u>
Net Position, June 30, 2013	\$1,286,596

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For The Year Ended June 30, 2013

Business-Type Activities  
 Enterprise Funds  
 Food Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$103,748
Cash paid to employees, including benefits	(238,278)
Cash paid to suppliers	<u>(279,177)</u>
Net cash provided by operating activities	(413,707)

CASH FLOW FROM NONCAPITAL  
 FINANCING ACTIVITIES

Cash received from general fund	68,251
Cash received from government funding	<u>322,884</u>
Net cash provided from capital and related financing activities	391,135

Net increase (decrease) in cash (22,572)

Cash and equivalents, July 1, 2012 (7,624)

Cash and equivalents, June 30, 2013 (\$30,196)

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$553,438)

Adjustments to reconcile net income to cash  
 provided by operating activities

Depreciation	76,839
On-behalf payments	57,203
Commodities used	26,894
Decrease in accounts payable	(24)
Increase in accounts receivable	(22,548)
Decrease in inventory	<u>1,367</u>

Net cash provided by operating activities and  
 increase in cash and equivalents (\$413,707)

**Schedule of Non-Cash Financing Activities**

Donated commodities	\$26,894
Donated capital assets	\$135,213
On Behalf payments	\$57,203

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
As of June 30, 2013

	Agency Fund
ASSETS	
Cash and equivalents	\$101,761
Accounts receivable	<u>1,225</u>
TOTAL ASSETS	\$102,986
LIABILITIES	
Accounts payable	\$3,024
Due to student groups	<u>99,962</u>
TOTAL LIABILITIES	\$102,986

See accompanying notes

WILLIAMSTOWN 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 Williamstown Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Williamstown Independent School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Williamstown Independent 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 Board 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:

Williamstown Independent School District Finance Corporation (the Corporation) – the Williamstown Independent Board of Education has established the Williamstown Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Williamstown Independent 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 Board 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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

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 proprietary 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:

2018. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.. 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. This is a major fund of the District.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

(2018) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund for the current year.

2018. Proprietary Funds (Enterprise Fund)

1. 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). This is a major fund for the District.

2018. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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 – Exchanges 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 used 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.

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 fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

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.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.884 per \$100 valuation for real property, \$.884 per \$100 valuation for business personal property and \$.591 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets 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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

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 School District's past experience of making termination payments.

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the treasurer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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.

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

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.

Net Position

Net position represent 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 are 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 and collections for services such as child care.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Subsequent Events

Subsequent events were considered through September 3, 2013, which represents the date of my report.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

Interfund Activity

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.

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of 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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2013 were levied on the assessed valuation of property located in the School District as of January 1, 2012 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 10% penalty	January 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,839,878. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements 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 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 1,477,628
Fund 2		24,888
Fund 310		0
Fund 320		0
Fund 360		265,756
Fund 51		<u>(30,196)</u>
Total General Checking Account	2,224,853	1,738,076
Activity and Trust Funds	119,416	101,761
Debt Service Funds	<u>41</u>	<u>41</u>
TOTALS	\$ 2,344,310	\$1,839,878

Breakdown per financial statements:

Governmental Funds	\$ 1,768,313
Proprietary Funds	(30,196)
Agency Funds	<u>101,761</u>
TOTALS	\$ 1,839,878

**NOTE D – CAPITAL ASSETS**

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 439,590
Support Services	
Student	8,819
Instructional staff	10,425
District administration	7,714
School administration	4,659
Business	542
Plant operations & maintenance	154,731
Student transportation	101,293
Community services	<u>9</u>
Total Depreciation expense, governmental activities	727,782

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE D – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	July 1, 2012	Additions	Retirements	June 30,2013
Land	95,130			95,130
Land Improvements	559,233			559,233
Building & Building Improve	16,472,827			16,472,827
Technology Equipment	810,756	68,068	2,262	876,562
Vehicles	1,480,347	2,000	39,947	1,442,400
General Equipment	540,902	14,125	10,956	544,071
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals at historical cost	19,959,195	84,193	53,165	19,990,223
Accumulated Depreciation				
Land Improvements	269,862	23,525		293,387
Building & Building Improve	3,855,399	460,308		4,315,707
Technology Equipment	580,591	105,255	1,871	683,975
Vehicles	868,653	98,383	39,947	927,089
General Equipment	<u>324,890</u>	<u>40,311</u>	<u>7,000</u>	<u>358,201</u>
Total accumulated depreciation	5,899,395	727,782	48,818	6,578,359
Capital Assets – Net	14,059,800	(643,589)	4,347	13,411,864
<b>Business-Type Activities</b>				
Building & Building Improve	1,106,747	133,278		1,240,025
Technology Equipment	2,305			2,305
General Equipment	<u>360,805</u>	<u>1,935</u>		<u>362,740</u>
Totals at historical cost	1,469,857	135,213		1,605,070
Accumulated Depreciation				
Building & Building Improve	144,517	49,601		194,118
Technology Equipment	2,305			2,305
General Equipment	<u>114,900</u>	<u>27,238</u>		<u>142,138</u>
Total accumulated depreciation	261,722	76,839		338,561
Capital Assets – Net	1,208,135	58,374		1,266,509

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

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

Issue Date	Proceeds	Rates
1994	\$ 165,000	3.50% - 6.20%
2004	710,000	3.75% - 4.90%
2006	2,220,000	3.40% - 4.20%
2007	3,070,000	3.625% - 3.90%
2007B	4,995,000	3.50% - 4.00%
2009	1,355,000	1.70% - 4.20%
2009R KISTA	1,271,202	1.00% - 3.25%
2012R	1,235,000	1.70% -4.20%

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

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

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$12,570,151		\$646,692	\$11,923,459
Capital Leases	\$523,751	\$217,727	\$149,802	\$591,676
Sick Leave	\$169,145		\$4,033	\$165,112

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Fiscal Year	WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
2013-2014	395,761	278,088	265,842	144,877	1,084,568
2014-2015	407,901	266,029	270,971	136,318	1,081,219
2015-2016	423,165	254,068	271,937	127,585	1,076,755
2016-2017	431,187	241,148	281,006	118,521	1,071,862
2017-2018	451,923	228,317	281,351	109,064	1,070,655
2018-2019	471,200	213,629	291,215	99,202	1,075,246
2019-2020	495,130	199,440	254,870	89,589	1,039,029
2020-2021	515,838	182,244	264,162	80,298	1,042,542
2021-2022	531,052	163,939	273,948	70,512	1,039,451
2022-2023	550,704	144,862	284,296	60,165	1,040,027
2023-2024	568,743	124,381	271,257	49,140	1,013,521
2024-2025	597,713	102,592	282,287	38,111	1,020,703
2025-2026	621,216	78,512	293,784	26,612	1,020,124
2026-2027	651,204	49,719	283,796	14,640	999,359
2027-2028	341,414	23,228	203,586	4,377	572,605
2028-2029	191,062	12,274	3,938	221	207,495
2029-2030	<u>196,715</u>	<u>4,131</u>	<u>3,285</u>	<u>69</u>	<u>204,200</u>
TOTALS	7,841,928	2,566,601	4,081,531	1,169,301	15,659,361

**NOTE F – CAPITAL LEASE PAYABLE**

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

<u>Classes of Property</u>	<u>Book value as of June 30, 2013</u>
Buses & Equipment	\$ 515,311

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2014	\$ 173,071
2015	120,604
2016	104,871
2017	85,246
2018	72,999
Thereafter	<u>74,012</u>
Total minimum lease payments	630,803
Less: Amount representing interest	<u>(39,127)</u>
Present Value of Net Minimum Lease Payments	\$ <u>591,676</u>

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

**NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District had no commitments under operating lease agreements as of June 30, 2013.

**NOTE H – RETIREMENT PLANS**

Plan Description – The Williamstown Independent 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 (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601

Funding Policy – Contribution rates are established by KRS. 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 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.

**Medical Insurance Plan**

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the KY Department of Employee Insurance and the General Assembly.

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

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of member's salary for the 2012-2013 fiscal year.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE H – RETIREMENT PLANS (continued)**

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

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

The following are payroll and retirement amounts for the years ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total payroll	\$5,499,916	\$5,609,637	\$5,372,026
KTRS total payroll	\$3,578,806	\$3,692,889	\$3,489,593
CERS total payroll	\$1,878,032	\$1,834,490	\$1,812,358
Contribution requirement for CERS	\$426,531	\$432,793	\$398,404
District portion – CERS contribution	\$341,434	\$341,715	\$306,832
Employee portion – CERS contribution	\$85,876	\$91,078	\$89,777
KTRS contribution – Commonwealth of KY	\$452,990	\$452,493	\$427,766
KTRS contribution – District Federal Employees	\$61,106	\$38,182	\$32,577

**NOTE I – CONTINGENCIES**

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

**NOTE K – 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. At June 30, 2013, this amount totaled \$165,112 of which \$82,556 is restricted in the current year fund balance of the General Fund.

**NOTE L – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2013, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

**NOTE M – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies, including participating 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 member on a pro rata basis. The District purchased 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 N – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures	
Fund 1	( 136,046)
Fund 320	( 136,517)
Fund 400	( 1,976)

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2013

**NOTE O – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

**NOTE P – TRANSFER OF FUNDS**

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 13,049
Operating	1	51	Food Service	68,251
Debt Service	310	1	Property Insurance	26,468
Debt Service	320	400	Bond Payment	677,119
Construction	310	360	Construction	56,113
Construction	320	360	Construction	142,747

**NOTE Q – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Instruction	\$ 923,144
Support Services	
Student	44,785
Instructional Staff	76,211
District Administration	23,823
School Administration	53,366
Business	11,441
Plant Operations and Maintenance	22,881
Student Transportation	63,865
Food Service	<u>57,203</u>
Total	\$1,276,719

Technology On Behalf Payments \$ 43,570

Debt Service On Behalf Payments \$ 411,908

**NOTE R – KSBIT ASSESSMENT**

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The exact amount of the assessment has not been determined. The District has shown a liability of \$138,393 based on the "Novation" calculation provided by KSBIT.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013

**NOTE S – GASB 68**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

SUPPLEMENTARY INFORMATION

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	1,304,050	1,269,020	1,382,043	113,023
Other Local Sources	100,100	100,100	142,505	42,405
State Sources	<u>3,834,394</u>	<u>3,976,887</u>	<u>5,252,385</u>	<u>1,275,498</u>
<b>TOTAL REVENUES</b>	<b>5,238,544</b>	<b>5,346,007</b>	<b>6,776,933</b>	<b>1,430,926</b>
<b>EXPENDITURES</b>				
Instruction	3,170,694	3,297,874	3,958,831	(660,957)
Support Services				
Student	335,515	343,360	359,305	(15,945)
Instructional Staff	507,850	513,016	557,830	(44,814)
District Administration	327,290	522,498	292,992	229,506
School Administration	412,524	410,905	689,736	(278,831)
Business	163,174	163,174	221,019	(57,845)
Plant Operation and Maintenance	695,865	697,295	587,626	109,669
Student Transportation	334,367	361,453	321,050	40,403
Food Service	17,900	21,351	15,357	5,994
Community Service Operations	500	500		500
Facilities and Construction	20,000	20,000		20,000
Contingency	465,665	465,665		465,665
Debt Service	<u>72,200</u>	<u>72,200</u>	<u>72,128</u>	<u>72</u>
<b>TOTAL EXPENDITURES</b>	<b>6,523,544</b>	<b>6,889,291</b>	<b>7,075,874</b>	<b>(186,583)</b>
Excess (Deficit) of Revenues Over Expenditures	(1,285,000)	(1,543,284)	(298,941)	1,244,343
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Capital Leases	0	0	217,727	217,727
Operating Transfers In			26,468	26,468
Operating Transfers Out	<u>(15,000)</u>	<u>(13,049)</u>	<u>(81,300)</u>	<u>(68,251)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,000)</b>	<b>(13,049)</b>	<b>162,895</b>	<b>175,944</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,300,000)	(1,556,333)	(136,046)	1,420,287
Fund Balance, July 1, 2012	<u>1,300,000</u>	<u>1,556,333</u>	<u>1,640,905</u>	<u>84,572</u>
Fund Balance, June 30, 2013	\$0	\$0	\$1,504,859	\$1,504,859

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$1,263,085.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
State Sources	\$384,403	\$577,169	\$525,613	(51,556)
Federal Sources	1,107,166	1,126,356	1,109,605	(16,751)
Local Sources	<u>4,889</u>	<u>71,099</u>	<u>45,544</u>	<u>(25,555)</u>
<b>TOTAL REVENUES</b>	<b>1,496,458</b>	<b>1,774,624</b>	<b>1,680,762</b>	<b>(93,862)</b>
<b>EXPENDITURES</b>				
Instruction	1,322,813	1,392,650	1,208,448	184,202
Support Services				
Student	26,883	66,000	63,981	2,019
Instructional Staff	48,537	78,060	72,437	5,623
School Administration	964	808	462	346
Business	30,000	41,098	23,052	18,046
Student Transportation	2,468	85,362	205,832	(120,470)
Debt Service	0	0	8,571	(8,571)
Community Service Operations	<u>79,793</u>	<u>123,695</u>	<u>111,028</u>	<u>12,667</u>
<b>TOTAL EXPENDITURES</b>	<b>1,511,458</b>	<b>1,787,673</b>	<b>1,693,811</b>	<b>93,862</b>
Excess (Deficit) of Revenues Over Expenditures	(15,000)	(13,049)	(13,049)	0
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	<u>15,000</u>	<u>13,049</u>	<u>13,049</u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>15,000</b>	<b>13,049</b>	<b>13,049</b>	<b>0</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2013	\$0	\$0	\$0	\$0

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$0	\$0
TOTAL ASSETS AND RESOURCES	\$0	\$0	\$0
FUND BALANCES			
Restricted Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL FUND BALANCES	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$0

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Total
REVENUES			
From local sources			
Taxes	\$	\$253,923	\$253,923
Intergovernmental-State	<u>82,581</u>	<u>429,426</u>	<u>512,007</u>
TOTAL REVENUES	82,581	683,349	765,930
EXPENDITURES			
Site Improvement			<u>0</u>
TOTAL EXPENDITURES			0
Excess (deficit) revenues over expenditures	82,581	683,349	765,930
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(82,581)</u>	<u>(819,866)</u>	<u>(902,447)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(82,581)	(819,866)	(902,447)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	(136,517)	(136,517)
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>136,517</u>	<u>136,517</u>
Restricted Fund Balance, June 30, 2013	\$0	\$0	\$0

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 SCHOOL ACTIVITY FUNDS  
 As of June 30, 2013

	Williamstown High School	Williamstown Elementary School	Total
<b>ASSETS</b>			
Cash and equivalents	\$54,100	\$47,661	\$101,761
Accounts receivable	<u>1,225</u>	<u>0</u>	<u>1,225</u>
<b>TOTAL ASSETS</b>	<b>\$55,325</b>	<b>\$47,661</b>	<b>\$102,986</b>
<b>LIABILITIES</b>			
Accounts payable	\$3,024	\$0	\$3,024
Due to student groups	<u>52,301</u>	<u>47,661</u>	<u>99,962</u>
<b>TOTAL LIABILITIES</b>	<b>\$55,325</b>	<b>\$47,661</b>	<b>\$102,986</b>

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS  
 SCHOOL ACTIVITY FUNDS  
 For The Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due To Student Groups June 30, 2013
Williamstown High School	\$77,590	\$240,571	\$264,061	\$54,100	\$1,225	\$3,024	\$52,301
Williamstown Elementary School	<u>49,955</u>	<u>142,473</u>	<u>144,767</u>	<u>47,661</u>	—	—	<u>47,661</u>
Totals	\$127,545	\$383,044	\$408,828	\$101,761	\$1,225	\$3,024	\$99,962

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 WILLIAMSTOWN HIGH SCHOOL  
 For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Art	\$1,836	\$936	\$662	\$0	\$2,110			\$2,110
Archery	0	7,001	6,589		412			412
M.S. Soccer	1,422	3,284	3,386	(422)	898		260	638
SR 2017	0	2,303	1,973		330			330
Dance Team	47	7,648	6,336		1,359		686	673
FFA	4,211	23,316	26,617		910	851		1,761
Scholarships	0	5,000	5,000		0			0
Spain Trip	108	2,767	100		2,775			2,775
Tennis	456	406	428		434		60	374
General	5,016	34,506	38,011		1,511	374	442	1,443
Project Graduation	4,156	3,460	7,385		231			231
Key Club	125				125			125
Chrous	667	4,315	4,982		0			0
GLOW	2,177	685	1,189		1,673			1,673
Textbooks	37				37			37
Academics	1,444	50	560		934			934
NHS	1,733	360	794		1,299			1,299
Jr. NHS	74				74			74
Track	437		135	(240)	62			62
MS Boys Basketball	426	1,786	2,484	789	517			517
Student Council	429	650	624		455			455
JV/Varsity Volleyball	230	4,118	2,158		2,190			2,190
Athletics	2,972	40,936	41,273	(220)	2,415		345	2,070
Cross Country	250	3,486	3,686	50	100			100
BV Basketball	2,477	6,686	8,498	2,050	2,715		581	2,134
GV Basketball	1,569	2,386	4,248	370	77			77
Baseball	1,422	3,862	5,194		90			90
Girls Golf	536		85		451		450	1
Softball	1,716	7,336	7,866		1,186			1,186

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
WILLIAMSTOWN HIGH SCHOOL  
For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
FCA	169				169			169
M. S. Student Council	196				196			196
SR KUNA	974	1,955	2,884		45			45
Relay for Life	205	95	300		0			0
Jr High Girls	1,249	2,846	4,036		59			59
Library	28	989	841		176			176
Band Raffle	1,053		1,041		12			12
Band	84	1,864	1,948		0			0
Band Fees	18	8,450	7,042		1,426			1,426
Drama	968	1,831	324		2,475			2,475
Beta	693	195	286		602			602
Science/Conservation	150		75		75			75
Builders Club	870				870			870
BV Cheerleaders	1,398	7,812	7,276	130	2,064			2,064
JH Cheerleaders	1,055	2,243	2,788		510			510
Boys Golf	402	383	483		302			302
MS Volleyball	29	1,146	837	422	760		200	560
YEP	70				70			70
Yearbook	15,112	4,240	7,747	(40)	11,565			11,565
Sr. 2011	34			(34)	0			0
Sr. 2012	701		735	34	0			0
Sr. 2013	62	6,435	6,375		122			122
SRS. 2014	1,436	5,184	5,040		1,580			1,580
2015	1,918	999	1,011		1,906			1,906
SRS. 2016	457				457			457
Athletic Concessions	2,495	25,631	27,254	(200)	672			672
SRS 2019	0	690	375		315			315
Athletic Alloc/Spons	<u>9,791</u>	<u>300</u>	<u>5,100</u>	<u>(2,689)</u>	<u>2,302</u>			<u>2,302</u>
TOTAL	\$77,590	\$240,571	\$264,061	\$0	\$54,100	\$1,225	\$3,024	\$52,301

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	\$39,352
National School Lunch Program	10.555	7750002 13	215,474
School Breakfast Program	10.553	7760005 12	12,004
School Breakfast Program	10.553	7760005 13	<u>51,181</u>
SubTotal Child Nutrition Cluster			318,011
Commodities	10.555	not provided	<u>26,894</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>344,905</b>
 <b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 11	13,084
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>94,690</u>
		subtotal	107,774
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	19,429
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	133,045
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	2,090
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 11	<u>591</u>
		subtotal	155,155
Education Jobs Fund (Ed Jobs)	84.410	EJOB00	1,568
Race to the Top	84.413A	3960002 11	1,745
Title VI Rural Education	84.358	3140002 11	9,745

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor <u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving Teacher Quality State Grants	84.367	3230002 11	4,884
Improving Teacher Quality State Grants	84.367	3230002 12	<u>24,448</u>
		subtotal	29,332
TOTAL U.S. DEPARTMENT OF EDUCATION			305,319
 <b>Federal Direct</b>			
<b><u>U.S. Health and Human Services</u></b>			
Head Start			
Head Start	93.600	6552	28,687
Head Start	93.600	6553	<u>775,599</u>
Total Head Start			804,286
TOTAL U.S. HEALTH AND HUMAN SERVICES			804,286
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,454,510

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Williamstown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$26,894.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(for a Governmental Entity)**

**(No Material Weaknesses Identified, No Significant Deficiencies Identified, and  
No Reportable Instances of Noncompliance, or Other Matters Identified)**

**Independent Auditor's Report**

State Committee For School District Audits  
Members of the Board of Education  
Williamstown Independent School District  
Williamstown, Kentucky

We have audited, 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, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamstown Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 3, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

I noted certain matters that I reported to management of the District in a separate letter dated September 3, 2013.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 3, 2013

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133  
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or  
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Williamstown Independent School District  
Williamstown, Kentucky

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

We have audited Williamstown Independent School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2013. The 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 the 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* and the audit requirements prescribed by the Kentucky Committee for School District Audits. 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 the 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 on the District's compliance.

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

In our opinion, the 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 the Williamstown 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 the 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 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 the 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.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Williamstown Independent School District as of and for the year ended June 30, 2013, and have issued our report thereon dated September 3, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

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

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
September 3, 2013



WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2013

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2012-01 was corrected.

MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

Williamstown Independent Board of Education  
Williamstown, Kentucky

I have audited the financial statements of the Williamstown Independent School District for the year ended June 30, 2013 and have issued my report thereon dated September 3, 2013. As part of my audit, I made a study and evaluation of the District's system of internal accounting control to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. My study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Williamstown Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, I do not express an opinion on the system of internal accounting control of the Williamstown Independent School District taken as a whole. My study and evaluation disclosed no condition that I believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2012-01, 2012-04, 2012-05, 2012-06, 2012-07, 2012-12, 2012-13.

The following items from last year's management letter points were not corrected: 2012-02, 2012-03, 2012-08, 2012-09, 2012-10, 2012-11, 2012-14.

## CURRENT YEAR MANAGEMENT POINTS

2013-01

The District needs to review and strengthen the existing controls over cash disbursements. When testing cash disbursements, I noted purchases were made without approved purchase orders. **This is a repeat finding from last year.**

### Management's Response

The Superintendent and Finance Officer will meet with all staff with purchasing approval and review purchase order procedures and the importance of following such procedures. Cash disbursements will be reviewed periodically to make sure existing procedures are being followed and report findings to the Superintendent. A procedure will be put in place to address the issue for employees that continue to purchase items without gaining prior approval.

2013-02

All District employees are required to have any extra service pay done through payroll. The Elementary School, and Head Start all paid employees through their funds without running the pay through payroll. I recommend the District establish a procedure to request verification that an individual is not an employee prior to paying for any service from any funds. **This is a repeat finding from last year.**

### Management's Response:

All bookkeepers/secretaries must contact the Finance Officer directly by written request to verify that an individual is not employed by the district prior to paying for any service from any funds they manage.

2013-03

KRS 65.944 states, "No school district shall enter into a lease if the lease price exceeds one hundred thousand dollars (\$100,000) without first receiving the approval of the lease from the chief state school officer." The District entered into a lease agreement for copiers for the District in excess of \$100,000 without getting the approval of the lease from the chief state school officer.

### Management's Response:

The District has submitted all required information to the Kentucky Department of Education requesting approval of the lease agreement for the copiers for the District. At this time we are still waiting on approval from KDE.

2013-04

Timesheets are not being signed by the employee's immediate Supervisor. All timesheets should be signed by the employee's immediate Supervisor before the timesheet is submitted for payroll processing.

### Management's Response:

All employees will be reminded to have their timesheet signed by their immediate Supervisor before turning them in for processing. The Payroll Clerk will check this before processing payroll and will return any timesheet without the Supervisor signature to the employee/Supervisor.

2013-05

There were numerous charges on the MasterCard statement that included sales tax. Sales tax were paid on those purchases. Greater effort needs to be made to assure that vendors are notified of the sales tax exempt status of the district. The District should not pay sales tax on purchases.

Management's Response:

All staff with purchasing approval will be reminded the district credit cards are to be used for travel and emergency situations only. The superintendent must grant prior approval before the credit card can be used for any other purchases. Once approval has been given the person responsible for the purchase will request a tax exempt certificate to give to the vendor when making the purchase.

2013-06

The Head Start Director approved her own conference request. I recommend that all conference requests be approved by the employee's immediate supervisor prior to registering and attending the conference.

Management's Response:

All employees' will be reminded they must submit all conference requests to their immediate supervisor before registering and attending a conference.

## **WILLIAMSTOWN JR/SR HIGH SCHOOL**

2013-07

There were two (2) checks with only one signature. According to Board policy, "Two (2) signatures shall be required on each check drawn against internal accounts." I recommend a procedure be put into place to assure all checks have two signatures before they are distributed. **This is a repeat finding from last year.**

Management's Response:

A procedure shall be put into place to assure that all checks have two signatures before they are distributed. This procedure will be drafted by the principal and approved by both the Jr. and Sr. High SBDM Councils.

2013-08

Transfer forms are not being signed properly. 3 out of 20 were not signed by the principal. There was one transfer form in June not signed by anyone; it should have had a sponsor and a principal signature. If the Principal is out of the building, there should be a designee to sign for him/her. No transfer should be done without the proper signatures. **This is a repeat finding from last year.**

Management's Response:

I assume the signatures were not obtained due to the former principal's resignation. In the future, all signatures will be obtained before the principal leaves for summer vacation if possible, and a designee will be secured who can sign for the principal.

2013-09

According to the Red Book, "to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." There were 6 out of 19 expenditures tested that had Purchase Order dates after the invoice date. Staff should be reminded that all expenditures must be approved prior to obligating the school; all expenditures that are for a specific class/person should have sponsor approval. **This is a repeat finding from last year.**

Management's Response:

All staff will be informed/reminded of the expenditure process during our opening day staff meeting, as well as through additional meetings and via email throughout the school year. Further, the principal and the school secretary/bookkeeper have determined that all purchase order requests must be made in writing to the secretary and approved by the principal before any purchase orders are approved and/or distributed and before any items have been purchased.

2013-10

There were four (4) sporting events where the money was not turned in timely. According to the Red Book all money should be turned in daily. I recommend money from sporting events be turned in promptly.

Management's Response:

Money from sporting events will be turned in daily. If the money is collected after office hours, the money will be deposited into the safe until the following business day.

2013-11

Teachers are not using multiple receipt forms as they should. During the test month, there was only one teacher who turned in multiple receipt forms, although there were other receipts that should have had them. I recommend teachers use multiple receipt forms and turn them into the bookkeeper with the money.

Management's Response:

Faculty and staff will be advised about Red Book procedures, specifically the use of multiple receipt forms when obtaining money from students.

## **WILLIAMSTOWN ELEMENTARY SCHOOL**

2013-12

According to the Red Book, "to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." There were 3 out of 23 expenditures tested that had Purchase Order dates after the invoice date. Staff should be reminded that all expenditures must be approved prior to obligating the school, all expenditures that are for a specific class, person should have a sponsor approval. **This is a repeat finding from last year.**

Management's response:

Staff will be reminded that all expenditures must be approved prior to obligating the school. Staff will also be reminded that all expenditures that are for a specific class, the sponsor should approve.

2013-13

The school reimbursed sales tax on 2 occasions. Sales tax is not to be reimbursed except for out of district travel expenses. I recommend a review of all expenditures prior payment being made to assure that sales tax is not included in the request for reimbursement.

Management's response:

The school treasurer will be reminded that no sales tax is to be reimbursed for expenditures, except for out of district travel expenses.

2013-14

There were 2 checks with only one signature. According to Board policy, "Two (2) signatures shall be required on each check drawn against internal accounts." I recommend a procedure be put into place to assure all checks have two signatures before they are distributed.

Management's response:

The school treasurer and principal will put in place a procedure to assure that all checks are signed with two signatures.

2013-15

Events where tickets were sold did not have a second person to take the tickets. According to the Red Book, "The ticket seller gives the entire ticket to the customer. The ticket taker tears the ticket in half, gives half to the customer and retains half. The ticket seller and ticket taker shall be two separate people." I recommend a second person take the tickets from the customer as required by the Red Book.

Management's Response:

The athletic director/assistant director will be advised that in events where tickets are sold, there should be a ticket seller and ticket taker according to the Red Book.

2013-16

There was one transfer that was recorded for the wrong amount. Someone other than the bookkeeper should review transfers to assure they are entered correctly.

Management's Response:

Transfer report will be printed off and checked by someone other than the bookkeeper for review of accuracy.