

WASHINGTON COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2014

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Washington County Board of Education and
State Committee for School District Audits
Springfield, 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 Washington County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and Special Revenue Fund 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 information as listed in the table of contents 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 Washington County School District's basic financial statements. The additional supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Washington County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 10, 2014

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

As management of the Washington County School 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, 2014. 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 governmental fund balance for the district was \$12,394,575 of which \$2,559,153 was the General Fund and \$9,835,422 was in the restricted funds of Capital Outlay, Building, Permanent and Construction funds. The ending governmental fund balance was \$5,671,833 of which \$3,358,953 was the General Fund the remaining \$2,312,880 was in the restricted funds of Capital Outlay, Building, Permanent and Construction funds.
- The General Fund ending cash balance at June 30, 2014 was \$3,900,424. Accounts payable and accrued salaries and benefit payable totaled \$649,029 leaving an unassigned fund balance of \$2,977,222, assigned fund balance \$211,859 and a committed fund balance of \$169,872. General Fund Revenues totaled \$12,946,958 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures total \$12,110,348 exclusive of inter-fund transfers of \$36,809. The expenditures include on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teachers' Retirement contributions.
- No new bonds were issued during fiscal year 2014.
- Our District continues to look for outside funding sources through grants and other venues as a means of achieving our Career and College readiness goals.
- The new high school construction project was 95% complete at June 30, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Washington County School District's basic financial statements. The District's basic financial statements are comprised of 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 Washington County School District's finances, in a manner similar to a private-sector business.

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2014

The statement of net position presents information on all of the Washington County School 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 Washington County School District is improving or deteriorating.

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

The district-wide financial statements outline functions of the Washington County School 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 the table of contents in this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our 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 the table of contents in 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 the table of contents in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$17,951,405 as of June 30, 2014. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

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.

2014 District-Wide Governmental Net Position comparison is as follows:

Table 1
Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Assets:							
Current and Other Assets	14.17	7.20	0.33	0.31	14.50	7.51	-48%
Capital Assets	24.93	31.80	0.05	0.06	24.98	31.86	28%
Total Assets	39.10	39.00	0.38	0.37	39.48	39.37	0%
Loss for the difference							
in reacquisition and carrying value of refunding debt	0.14	0.12	0.00	0.00	0.14	0.12	-14%
	0.14	0.12	0.00	0.00	0.14	0.12	-14%
Liabilities:							
Current Liabilities	2.85	2.61	0.04	0.04	2.89	2.65	-8%
Noncurrent Liabilities	19.96	18.89	0.00	0.00	19.96	18.89	-5%
Total Liabilities	22.81	21.50	0.04	0.04	22.85	21.54	-6%
Net Assets:							
Invested in Capital Assets							
Net of Debt	4.92	12.61	0.05	0.06	4.97	12.67	155%
Restricted	10.35	2.69	0.00	0.27	10.35	2.96	-71%
Unrestricted Net Assets	1.16	2.32	0.29	0.00	1.45	2.32	60%
Total Net Position	16.43	17.62	0.34	0.33	16.77	17.95	7%

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

GOVERNMENTAL ACTIVITIES

The following is a comparison of the changes in net position:

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>Change 2013-2014</u>
Revenues:							
Charges for services	\$ 0.19	\$ 0.18	\$ 0.40	\$ 0.38	\$ 0.59	\$ 0.56	-5%
Operating grants and contributions	2.67	1.96	0.65	0.81	3.32	2.77	-17%
Capital grants and contributions	0.81	0.88			0.81	0.88	9%
General revenues	13.46	13.48	0.01	0.01	13.47	13.49	0%
Total revenue	\$ 17.13	\$ 16.50	\$ 1.06	\$ 1.20	\$ 18.19	\$ 17.70	-3%
Expenses:							
Instruction	\$ 10.05	\$ 8.26	\$ -	\$ -	\$ 10.05	\$ 8.26	-18%
Student	0.56	0.70			0.56	0.70	25%
Instructional staff	0.54	0.42			0.54	0.42	-22%
District administration	0.78	0.79			0.78	0.79	1%
School administration	0.99	0.95			0.99	0.95	-4%
Business	0.74	0.62			0.74	0.62	-16%
Plant operation & maintenance	1.18	1.27			1.18	1.27	8%
Student transportation	0.92	0.65			0.92	0.65	-29%
Community services operations	0.32	0.24			0.32	0.24	-25%
Debt Service	0.02	0.21			0.02	0.21	950%
Depreciation/Amortization	0.72	0.70	0.01	0.01	0.73	0.71	-3%
Interest on long-term debt	0.73	0.58			0.73	0.58	-21%
Food Service Operations			0.89	1.08	0.89	1.08	21%
Day Care Operations					-	-	0%
Extraordinary Item	0.31	-	0.11	0.12	0.42	0.12	-71%
Total Expenses	\$ 17.86	\$ 15.39	\$ 1.01	\$ 1.21	\$ 18.87	\$ 16.60	-12%
Change in net assets	\$ (0.73)	\$ 1.11	\$ 0.05	\$ (0.01)	\$ (0.68)	\$ 1.10	-262%

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS

At the end of fiscal 2014, the District had \$31,856,859 invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$6,879,005 over last year.

Capital Assets at Year-End FY2014
(Net of depreciation)

<u>Assets:</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	1,280,702	1,280,702			1,280,702	1,280,702
Land and Improvements	69,857	55,916			69,857	55,916
Buildings & Improvements	10,785,394	10,415,394			10,785,394	10,415,394
Technology Equipment	284,349	157,176			284,349	157,176
Vehicles	579,756	550,796			579,756	550,796
General Equipment	344,313	307,295	51,353	58,612	395,666	365,907
Construction In Progress	<u>11,582,230</u>	<u>19,030,858</u>			<u>11,582,230</u>	<u>19,030,858</u>
Total	<u><u>24,926,601</u></u>	<u><u>31,798,137</u></u>	<u>51,353</u>	<u>58,612</u>	<u>24,977,954</u>	<u>31,856,749</u>

DEBT

The district has a total \$19,315,000 of bonds outstanding at June 30, 2014 with \$855,000 due within 1 year.

Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	<u>2013</u>	<u>2014</u>
General Obligation Bonds	\$ <u>20.15</u>	\$ <u>19.31</u>
Total Obligations	<u>\$ 20.15</u>	<u>\$ 19.31</u>

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$3,358,953, which is \$799,800 greater than last year's fund balance of \$2,559,153. The unassigned portion of the fund balance at the end of fiscal year 2014 is \$2,997,222, compared to \$2,096,853 from the preceding year. The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2014:

<u>Revenue</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Const Fund</u>	<u>Debt Service Fund</u>	<u>School Food Services Fund</u>
Local Revenue Sources	\$ 3,976,142	\$ 35,774	\$ 5,079	\$ 640,730	\$ 26,646		\$ 300,628
State Revenue Sources	8,970,816	683,224	150,478	477,500		253,097	91,201
Federal Revenue Sources	-	1,278,779					693,749
Bond Issuance	-						
Transfers	-	36,809				1,170,221	
TOTALS	\$12,946,958	\$2,034,586	\$155,557	\$ 1,118,230	\$ 26,646	\$1,423,318	\$1,085,578
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Const Fund</u>	<u>Debt Service Fund</u>	<u>School Food Services Fund</u>
EXPENDITURES							
Instruction	\$ 6,806,951	\$1,597,443					
Student Support Services	690,564	6,226					
Instructional Staff Support Services	394,133	30,675					
District Admin Support	643,216	148,847					
School Admin Support	953,860						
Business Support Services	583,709	33,304					
Plant Operation & Management	1,273,780	1,250					
Student Transportation	736,382						
Food Service Operations							1,090,670
Community Services	27,754	216,841					
Debt Service						1,423,318	
Site Improvement							
Building Acquisitions & Construction					7,654,673		
Day Care Operations							
Transfers	36,809		155,156	1,015,065			
TOTALS	\$ 12,147,158	\$2,034,586	\$ 155,156	\$ 1,015,065	\$ 7,654,673	\$1,423,318	\$1,090,670
Excess / (Deficit)	\$ 799,800	\$ -	\$ 401	\$ 103,165	\$ (7,628,027)	\$ -	\$ (5,092)

*Note This chart does not include beginning balances.

WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2014 adopted budget for the general fund reflected an increase of \$1.9 million. This was the first year payments made by the state on behalf of the district was included as both a budgeted revenue and expenditure. These actual on behalf payments were spread across the expenditures functions which will reflect an unfavorable variance in the budget to actual comparison. Budgeted revenues were also increased in anticipation of an increase in tax revenue. Budgeted expenditures were reduced for a two day contract reduction for staff and an \$85,000 reduction in district technology. General fund expenditures were 75% of the final budget. Actual expenditures were lower than anticipated due to continued conservative spending and the planned reduction in payroll and payroll related expenditures. The unassigned fund balance for the general fund at the end of the fiscal year is \$2,977,222, an increase from the prior year of \$880,369. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25% of expenditures while total fund balance represents 28% of expenditures. This is a 9% increase unassigned fund balance and an 8% increase total fund balance.

Questions regarding this report should be directed to the Director of Finance, Judy Spalding or Superintendent, Robin Cochran at (859)336-5470 or by mail at Washington County Board of Education, PO Box 72, Springfield, KY 40069.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,787,854	\$ 273,169	\$ 7,061,022
Receivables (net)	409,691	11,332	421,023
Inventories		25,389	25,389
Land, improvements, and construction in progress	20,311,561		20,311,561
Other capital assets, net of depreciation	11,486,576	58,822	11,545,398
Total capital assets	31,798,137	58,822	31,856,959
Total assets	38,995,682	368,711	39,364,393
DEFERRED OUTFLOWS OF RESOURCES			
Loss for the difference in reacquisition and carrying value of refunding debt	124,255		124,255
LIABILITIES			
Accounts payable and accrued expenses	497,846	17	497,863
Accrued salaries and benefit payable	716,779	35,216	751,995
Accrued interest payable	235,678		235,678
Unearned revenue	311,087		311,087
Long-term liabilities:			
Due within 1 year:			
Bond obligations	855,000		855,000
Total due within 1 year	855,000	-	855,000
Due in more than 1 year:			
Bond obligations	18,460,000		18,460,000
KSBIT payable	211,859		211,859
Sick leave	213,761		213,761
Total due in more than 1 year	18,885,620	-	18,885,620
Total liabilities	21,502,009	35,233	21,537,242
NET POSITION			
Net Investment in capital assets	12,607,392	58,822	12,666,213
Restricted for:			
Nonexpendable for scholarships	7,907		7,907
Expendable restricted for site based	62,992		62,992
Expendable restricted for sick leave	106,880		106,880
Expendable restricted for capital projects	2,304,973		2,304,973
Expendable restricted for encumbrances	211,859		211,859
Expendable restricted for day care		23,861	23,861
Expendable restricted for food services		250,796	250,796
Unrestricted	2,315,924		2,315,924
Total net position	\$ 17,617,927	\$ 333,478	\$ 17,951,405

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 8,259,867	\$ 158,941	\$ 1,962,003	\$	\$ (6,138,923)		\$ (6,138,923)
Support Services							
Student	696,790				(696,790)		(696,790)
Instructional Staff	424,808				(424,808)		(424,808)
District Administration	792,062				(792,062)		(792,062)
School Administration	953,860				(953,860)		(953,860)
Business	617,013				(617,013)		(617,013)
Plant Operation & Maintenance	1,266,530			627,978	(638,552)		(638,552)
Student Transportation	651,642	21,655			(629,988)		(629,988)
Community Services Operations	244,594				(244,594)		(244,594)
Building Improvements	206,046				(206,046)		(206,046)
Loss on retirement of assets	869				(869)		(869)
Amortization	15,532				(15,532)		(15,532)
Depreciation	687,194				(687,194)		(687,194)
Interest on general long-term debt	580,827			253,097	(327,730)		(327,730)
Total governmental activities	<u>15,397,635</u>	<u>180,595</u>	<u>1,962,003</u>	<u>881,075</u>	<u>(12,373,961)</u>		<u>(12,373,961)</u>
Business-type activities:							
Food service operations	1,082,033	293,921	784,950			\$ (3,162)	(3,162)
Day care operations	120,839	88,586	28,136			(4,117)	(4,117)
Depreciation	8,637					(8,637)	(8,637)
Total business-type activities	<u>1,211,509</u>	<u>382,507</u>	<u>813,086</u>	<u>-</u>	<u>-</u>	<u>(15,915)</u>	<u>(15,915)</u>
Total primary government	\$ <u>16,609,143</u>	\$ <u>563,103</u>	\$ <u>2,775,089</u>	\$ <u>881,075</u>	<u>(12,373,961)</u>	<u>(15,915)</u>	<u>(12,389,876)</u>
General revenues:							
Taxes:							
Property taxes					2,979,491		2,979,491
Motor vehicle taxes					395,677		395,677
Franchise taxes					148,587		148,587
Utility taxes					794,311		794,311
State and formula grants					8,970,816		8,970,816
Unrestricted investment earnings					187,628	7,785	195,413
Total general revenues					<u>13,476,510</u>	<u>7,785</u>	<u>13,484,296</u>
Change in net position					1,102,549	(8,130)	1,094,419
Net position - beginning					16,423,044	341,608	16,764,652
Prior period adjustment					92,334		92,334
Restated net position - beginning					<u>16,515,378</u>	<u>341,608</u>	<u>16,856,986</u>
Net position - ending					\$ <u>17,617,927</u>	\$ <u>333,478</u>	\$ <u>17,951,405</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
 June 30, 2014

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 3,900,424	\$ 91,183	\$ 2,277,962	\$ -	\$ 518,285	\$ 6,787,854
Receivables, net						
Taxes-current	78,003					78,003
Taxes-delinquent	5,288					5,288
Accounts	24,267	6,193				30,460
Intergovernmental-state		43,204				43,204
Intergovernmental-federal		252,735				252,735
Total assets	<u>4,007,982</u>	<u>393,315</u>	<u>2,277,962</u>	<u>-</u>	<u>518,285</u>	<u>7,197,544</u>
LIABILITIES						
Accounts payable	13,302	1,177	483,367			497,846
Accrued salaries and benefit payable	635,727	81,052				716,779
Unearned revenue		311,087				311,087
Total liabilities	<u>649,029</u>	<u>393,315</u>	<u>483,367</u>	<u>-</u>	<u>-</u>	<u>1,525,712</u>
FUND BALANCE						
Nonspendable					7,907	7,907
Restricted			1,794,595		510,378	2,304,973
Committed	169,872					169,872
Assigned	211,859					211,859
Unassigned	2,977,222					2,977,222
Total fund balance	<u>\$ 3,358,953</u>	<u>\$ -</u>	<u>\$ 1,794,595</u>	<u>\$ -</u>	<u>\$ 518,285</u>	<u>\$ 5,671,833</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
for the year ended June 30, 2014

Total fund balance per fund financial statements	\$	5,671,833
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		31,798,137
Capitalized defeasance costs of the difference in the defeased bonds and the cost of the refunding bonds and amortized over the remaining life of the refunded bond.		124,255
<p>Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position as follows:</p>		
Accrued interest payable		(235,678)
Bonds payable		(19,315,000)
KSBIT payable		(211,859)
Noncurrent sick leave payable		(213,761)
		(213,761)
Net position of governmental activities	\$	17,617,927

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 2,366,025	\$ -	\$ -	\$ -	\$ 613,466	\$ 2,979,491
Motor vehicle	395,677					395,677
Franchise	148,587					148,587
Utilities	794,311					794,311
Transportation	21,655					21,655
Tuition		8,308				8,308
Earnings on investments	129,039	479	24,354		33,756	187,628
Student activities		6,765				6,765
Other local revenue	120,848	20,222	2,292		505	143,867
Intergovernmental - state	8,970,816	683,224		253,097	627,978	10,535,115
Intergovernmental - federal		1,278,779				1,278,779
Total revenues	<u>12,946,958</u>	<u>1,997,778</u>	<u>26,646</u>	<u>253,097</u>	<u>1,275,705</u>	<u>16,500,184</u>
EXPENDITURES						
Instruction	6,806,950	1,597,445				8,404,395
Support Services						
Student	690,564	6,226				696,790
Instructional Staff	394,133	30,675				424,808
District Administration	643,216	148,847				792,062
School Administration	953,860					953,860
Business	583,709	33,304				617,013
Plant Operation & Maintenance	1,273,780	1,250				1,275,030
Student Transportation	736,382					736,382
Community Services Operations	27,754	216,841				244,594
Building acquisitions & construction			7,654,674			7,654,674
Debt Service				1,423,318		1,423,318
Total expenditures	<u>12,110,348</u>	<u>2,034,587</u>	<u>7,654,674</u>	<u>1,423,318</u>	<u>-</u>	<u>23,222,926</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	836,609	(36,809)	(7,628,027)	(1,170,221)	1,275,705	(6,722,742)
OTHER FINANCING SOURCES (USES)						
Operating transfers in		36,809		1,170,221		1,207,030
Operating transfers (out)	(36,809)				(1,170,221)	(1,207,030)
Total other financing sources and (uses)	<u>(36,809)</u>	<u>36,809</u>	<u>-</u>	<u>1,170,221</u>	<u>(1,170,221)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	799,800	-	(7,628,027)	-	105,485	(6,722,742)
FUND BALANCE-BEGINNING	<u>2,559,153</u>	<u>-</u>	<u>9,422,622</u>	<u>-</u>	<u>412,800</u>	<u>12,394,575</u>
FUND BALANCE-ENDING	<u>\$ 3,358,953</u>	<u>\$ -</u>	<u>\$ 1,794,595</u>	<u>\$ -</u>	<u>\$ 518,285</u>	<u>\$ 5,671,833</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 Year ended June 30, 2014

Net change in total fund balances per fund financial statements	\$	(6,722,742)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		6,871,536
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		(15,532)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		835,000
<p>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.</p>		
<p>Accrued interest payable</p>		7,491
<p>Noncurrent sick leave payable</p>		126,796
		1,102,549
Change in net position of governmental activities	\$	<u><u>1,102,549</u></u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 2,222,636	\$ 2,222,636	\$ 2,366,025	\$ 143,389
Motor vehicle	365,000	365,000	395,677	30,677
Franchise	125,000	125,000	148,587	23,587
Utilities	695,000	695,000	794,311	99,311
Transportation	20,000	20,000	21,655	1,655
Earnings on investments	120,000	120,000	129,039	9,039
Other local revenue	95,000	95,000	120,848	25,848
Intergovernmental - state	9,108,039	9,108,039	8,970,816	(137,223)
Total revenues	<u>12,750,675</u>	<u>12,750,675</u>	<u>12,946,958</u>	<u>196,283</u>
EXPENDITURES				
Instruction	9,125,543	9,279,288	6,806,950	2,472,338
Support Services				
Student	529,219	531,060	690,564	(159,504)
Instructional Staff	294,612	295,852	394,133	(98,281)
District Administration	647,681	647,681	643,216	4,465
School Administration	769,967	762,941	953,860	(190,919)
Business	536,092	528,892	583,709	(54,817)
Plant Operation & Maintenance	1,250,932	1,250,932	1,273,780	(22,848)
Student Transportation	823,120	831,055	736,382	94,673
Community Services	25,518	25,518	27,754	(2,236)
Total expenditures	<u>14,002,684</u>	<u>14,153,219</u>	<u>12,110,348</u>	<u>2,042,871</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(1,252,009)	(1,402,544)	836,609	2,239,153
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(45,000)	(45,000)	(36,809)	8,191
Total other financing sources and (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(36,809)</u>	<u>8,191</u>
NET CHANGE IN FUND BALANCE	(1,297,009)	(1,447,544)	799,800	2,247,344
FUND BALANCE-BEGINNING	<u>1,927,009</u>	<u>2,132,763</u>	<u>2,559,153</u>	<u>426,390</u>
FUND BALANCE-ENDING	<u>\$ 630,000</u>	<u>\$ 685,219</u>	<u>\$ 3,358,953</u>	<u>\$ 2,673,734</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Tuition	\$ 12,870	\$ 12,870	\$ 8,308	\$ (4,562)
Earnings on investments	400	400	479	79
Student activities	6,151	6,241	6,765	524
Other local revenue	200,541	204,918	20,222	(184,696)
Intergovernmental - state	706,678	711,749	683,224	(28,525)
Intergovernmental - federal	1,104,897	1,135,117	1,278,779	143,662
Total revenues	<u>2,031,537</u>	<u>2,071,295</u>	<u>1,997,778</u>	<u>(73,517)</u>
EXPENDITURES				
Instruction	1,840,476	1,877,823	1,597,445	280,379
Support Services				
Student	10,000	10,000	6,226	3,774
Instructional Staff	6,628	6,936	30,675	(23,739)
District Administration	12,000	12,000	148,847	(136,847)
Business	45,019	48,554	33,304	15,250
Plant Operation & Maintenance	2,300	2,300	1,250	1,050
Community Services Operations	160,114	163,099	216,841	(53,742)
Total expenditures	<u>2,076,537</u>	<u>2,120,712</u>	<u>2,034,587</u>	<u>86,126</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(45,000)	(49,418)	(36,809)	12,609
OTHER FINANCING SOURCES (USES)				
Operating transfers in/out	45,000	49,418	36,809	(12,609)
Total other financing sources and (uses)	<u>45,000</u>	<u>49,418</u>	<u>36,809</u>	<u>(12,609)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 248,801	\$ 24,367	\$ 273,169
Receivables	9,683	1,649	11,332
Inventories	25,389		25,389
Capital assets:			
Other capital assets, net of depreciation	58,822		58,822
Total assets	342,695	26,016	368,711
LIABILITIES			
Accrued salaries and benefits payable	33,061	2,155	35,216
Accounts payable and accrued expenses	17		17
Total liabilities	33,078	2,155	35,233
NET POSITION			
Net Investment in capital assets	58,822	-	58,822
Restricted for:			
Expendable restricted for day care operations		23,861	23,861
Expendable restricted for food service	250,796		250,796
Total net position	\$ 309,617	\$ 23,861	\$ 333,478

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year ended June 30, 2014

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 293,921	\$ -	\$ 293,921
Tuition		88,586	88,586
Total operating revenues	293,921	88,586	382,507
OPERATING EXPENSES			
Depreciation	8,637		8,637
Food service operations			
Salaries and benefits	528,301		528,301
Operational	553,733		553,733
Day care operations			
Salaries and benefits		116,890	116,890
Operational		3,948	3,948
Total operating expenses	1,090,670	120,839	1,211,509
Operating income (loss)	(796,748)	(32,253)	(829,001)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	693,749		693,749
State grants	91,201	28,136	119,337
Earnings from investments	6,707	1,079	7,785
Total nonoperating revenues	791,657	29,215	820,871
CHANGE IN NET POSITION	(5,092)	(3,038)	(8,130)
NET POSITION-BEGINNING	314,709	26,899	341,608
NET POSITION-ENDING	\$ 309,617	\$ 23,861	\$ 333,478

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year ended June 30, 2014

Enterprise Funds

	School Food Services	Other Proprietary Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 293,921	\$ 88,586	\$ 382,507
Payments to suppliers	(528,301)	(116,890)	(645,191)
Payments to employees	(464,573)	(6,508)	(471,081)
Net cash provided (used) by operating activities	<u>(698,952)</u>	<u>(34,812)</u>	<u>(733,764)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	(16,105)		(16,105)
Operating grants and contributions	784,950	28,136	813,086
Net cash provided (used) by noncapital financing activities	<u>768,845</u>	<u>28,136</u>	<u>796,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	6,707	1,079	7,785
Net cash provided (used) by investing activities	<u>6,707</u>	<u>1,079</u>	<u>7,785</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	76,599	(5,597)	71,002
CASH AND CASH EQUIVALENTS-BEGINNING	<u>172,202</u>	<u>29,965</u>	<u>202,167</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 248,801</u>	<u>\$ 24,367</u>	<u>\$ 273,169</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (796,748)	\$ (32,253)	\$ (829,001)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	8,637	-	8,637
Changes in assets and liabilities:			
Receivables	55,445	12	55,457
Inventories	34,164		34,164
Accruals	(449)	(2,571)	(3,020)
Net cash used by operating activities	<u>\$ (698,952)</u>	<u>\$ (34,812)</u>	<u>\$ (733,764)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$62,152 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$81,275 for school food services and \$18,518 for other proprietary fund which is by state government.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>School Activity Fund</u>	<u>Private Purpose Trust</u>	<u>Fiduciary Fund</u>
ASSETS			
Cash and cash equivalents	\$ 141,991	\$ 21,702	\$ 163,693
Accounts receivable	<u>2,093</u>	<u>-</u>	<u>2,093</u>
Total Assets	<u><u>144,084</u></u>	<u><u>21,702</u></u>	<u><u>165,786</u></u>
LIABILITIES			
Accounts payable	8,229	-	8,229
Due to student groups	<u>135,856</u>	<u>-</u>	<u>135,856</u>
Total Liabilities	<u>144,084</u>	<u>-</u>	<u>144,084</u>
NET POSITION HELD IN TRUST	<u><u>\$ -</u></u>	<u><u>\$ 21,702</u></u>	<u><u>\$ 21,702</u></u>

See accompanying notes to the financial statements.

Washington County School District
Statement of Changes in Net Position
Fiduciary Funds
Year ended June 30, 2014

		<u>Private Purpose Trust</u>
Additions		
Trust activities	\$	736
Deductions		
Benefits paid		<u>-</u>
Decrease in net position		736
Net position, June 30, 2013		<u>20,966</u>
Net position, June 30, 2014	\$	<u><u>21,702</u></u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Washington County 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 Washington County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Washington County 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Washington County Board Of Education Finance Corporation

The Board authorized establishment of the Washington County Board Of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Washington County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The statement of net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

The 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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(D) Debt Service Fund

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

(E) Permanent Fund

The Private Purpose Trust Fund is to be spent based on the trust agreement and has a principal balance of \$7,907 that must remain intact.

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the district.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(B) Child Care Fund

The Child Care Fund accounts for the funds raised at schools providing after school care for children.

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

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 “Accounting Procedures for Kentucky School Activity Funds.”

The Private Purpose Trust Funds are maintained within MUNIS and account for revenues generated by trusts set up to benefit students in Washington County.

Basis of Accounting

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

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

Unearned revenue – Unearned 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 unearned revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Unused donated commodities are reported as unearned 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.

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.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.576 (including exonerations) per \$100 valuation of real property, \$.576 per \$100 valuation for business personal property and \$.55 per \$100 valuation for motor vehicles.

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

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 financial 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 assets life are not.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified 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 non-current portion of the liability is not reported.

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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 budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

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 government-wide financial statements inventories are stated at cost and are expended when used.

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

Prepaid Assets

Payments made that will benefit periods beyond the fiscal period end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-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 judgment, the non-current 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.

Restricted Legally restricted under legislation, bond authority, or grantor contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position are reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District’s cash and cash equivalents of amounts deposited in checking accounts include interest bearing accounts deposited in various local banks. Due to the liquidity nature of these accounts the carrying value is the fair market value.

		Bank Balance
		<hr/>
<u>Springfield State Bank</u>		<u>Demand</u>
FDIC	\$	250,000
Securities pledged to district		<u>7,600,538</u>
Bank balance	\$	<u><u>7,850,538</u></u>
		 Book Balance <hr/>
		<u>Cash and equivalents</u>
Governmental Activities	\$	6,787,854
Business-type Activities		273,169
Private Purpose Trusts		21,702
School Activity Funds		<u>141,991</u>
Total carrying amount	\$	<u><u>7,224,715</u></u>

The Private Purpose Trust Fund holds cash and cash equivalents in the amount of \$9,826 in a money market account held by Edward Jones.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land	\$ 1,280,702	\$ -	\$ -	\$ 1,280,702
Land improvements	481,972	-	-	481,972
Buildings	16,209,091	-	-	16,209,091
Technology equipment	1,458,848	17,732	192,157	1,284,423
Vehicles	1,914,335	84,740	-	1,999,075
General equipment	860,616	8,500	81,905	787,211
Construction in progress	<u>11,582,230</u>	<u>7,448,628</u>	<u>-</u>	<u>19,030,858</u>
Total at historical cost	\$ <u>33,787,795</u>	\$ <u>7,559,599</u>	\$ <u>274,062</u>	\$ <u>41,073,333</u>
Less: Accumulated depreciation				
Land improvements	\$ 412,116	\$ 13,941	\$ -	\$ 426,057
Buildings	5,423,697	370,000	-	5,793,697
Technology equipment	1,174,499	144,036	191,289	1,127,247
Vehicles	1,334,579	113,700	-	1,448,279
General equipment	<u>516,304</u>	<u>45,518</u>	<u>81,905</u>	<u>479,917</u>
Total accumulated depreciation	\$ <u>8,861,195</u>	\$ <u>687,194</u>	\$ <u>273,193</u>	\$ <u>9,275,196</u>
Governmental Activities				
Capital Assets-net	\$ <u>24,926,601</u>	\$ <u>6,872,405</u>	\$ <u>869</u>	\$ <u>31,798,137</u>
<u>Business-Type Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Technology equipment	\$ 5,390	\$ -	\$ 3,594	\$ 1,796
General equipment	<u>334,231</u>	<u>16,105</u>	<u>33,654</u>	<u>316,682</u>
Total at historical cost	\$ <u>339,621</u>	\$ <u>16,105</u>	\$ <u>37,248</u>	\$ <u>318,478</u>
Less: Accumulated depreciation				
Technology equipment	\$ 5,390	\$ -	\$ 3,594	\$ 1,796
General equipment	<u>282,878</u>	<u>8,637</u>	<u>33,654</u>	<u>257,860</u>
Total accumulated depreciation	\$ <u>288,268</u>	\$ <u>8,637</u>	\$ <u>37,248</u>	\$ <u>259,656</u>
Business-Type Activities				
Capital Assets-net	\$ <u>51,353</u>	\$ <u>7,468</u>	\$ <u>-</u>	\$ <u>58,822</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Washington County School District Finance Corporation aggregating \$19,315,000 and \$855,000 is the portion due within one year.

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

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2014 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013</u>			<u>2014</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2008A	3,910,000	8/1/2023	2.5 - 3.25%	\$ 3,215,000	\$ -	\$ 215,000	\$ 3,000,000
2008B	795,000	8/1/2016	2.3 - 2.75%	370,000	-	90,000	280,000
2012	15,185,000	8/1/2032	2.0 - 3.5%	15,185,000	-	405,000	14,780,000
2013R	\$ 1,390,000	12/1/2023	1.3%	1,380,000	-	125,000	1,255,000
Totals				\$ 20,150,000	\$ -	\$ 835,000	\$ 19,315,000

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL</u>	<u>INTEREST</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>TOTAL</u>
2015	\$ 669,138	\$ 501,476	\$ 185,862	\$ 67,235	\$ 855,000	\$ 568,710
2016	679,984	485,467	190,016	63,079	870,000	548,546
2017	704,657	468,824	190,343	58,828	895,000	527,653
2018	714,648	451,295	150,352	55,199	865,000	506,494
2019	732,736	433,026	147,264	52,283	880,000	485,309
2020-2024	4,022,916	1,817,214	702,084	211,888	4,725,000	2,029,101
2025-2029	4,765,070	1,141,494	554,930	126,879	5,320,000	1,268,372
2030-2032	4,424,237	313,787	480,763	32,337	4,905,000	346,124
	\$ 16,713,386	\$ 5,612,582	\$ 2,601,614	\$ 667,727	\$ 19,315,000	\$ 6,280,309

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE F – RETIREMENT PLANS

Kentucky Teachers' Retirement System

Plan Description – The Washington County 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 Kentucky Department of Education (KDE).

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, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% 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 after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution 14.605%.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide 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 Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy – In order to fund the post-retirement healthcare benefit, four and a half percent (4.5%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Washington County School System's total payroll for the year was \$9,443,407. The payroll for employees covered under KTRS was \$7,066,657. For the year ended June 30, 2014, the Commonwealth contributed \$865,052 to KTRS for the benefit of participating employees. The School district's

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contributions to KTRS for the year ending June 30, 2014 were \$76,709, which represents those employees covered by federal programs.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$977,252, \$1,124,519, and \$1,131,670 respectively.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed \$392,510 of the employee's compensation during the fiscal year ended June 30, 2014.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$499,570, \$561,924, and \$454,684 respectively.

Recently Issued Accounting Standards

GASB Statement No. 68, Accounting and financial Reporting for Pensions, will require that unfunded portions of future pension benefit obligations shall be recorded as a liability of governments. This pronouncement will be mandatory for fiscal periods beginning after June 15, 2015. Although the data is not available from the Kentucky Teachers Retirement System or the County Employees Retirement System at this time, we believe that this implementation will have a material effect on future financial statements.

NOTE G – COMMITMENTS

The District has committed \$106,880 in the general fund for future payouts for accrued sick leave, \$62,992 for site base carryforward, and made commitments of \$1,794,595 for future construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 1,794,595	Future Construction
Capital Outlay	75,583	School Facilities Construction Commission
FSPK	432,876	School Facilities Construction Commission
Permanent	1,919	Trust Purpose
Day Care	23,861	Day Care Operations
Food Service	\$ 250,796	Food Service Operations

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

The District is not subject to various other legal actions.

NOTE K – 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated and includes Workers’ Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE M – DEFICIT FUND AND OPERATING BALANCES

The following fund had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Construction Fund	\$ (7,628,027)
Food Service	(5,092)
Day Care Fund	\$ (3,038)

NOTE N - 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 (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Special Revenue Fund	\$ 36,809	KETS Matching
Capital Outlay Fund	Debt Service Fund	155,156	Debt
FSPK Fund	Debt Service Fund	\$ 1,015,065	Debt

NOTE P – ON-BEHALF PAYMENTS

The financial statements include payments made by the State of Kentucky on – behalf of the Washington County School District for teacher’s retirement, health insurance, life insurance, administrative fees, and state operated vocational schools where applicable. The amounts were recorded, but not budgeted, within the General, School Food Services, and Day Care Funds. The amounts recorded for both revenues and expenditures (expenses) are \$2,326,450 for the General Fund, \$253,097 for the Debt Service Fund, \$81,275 for the School Food Service Fund and \$18,518 for the Day Care Fund.

NOTE R – PRIOR PERIOD ADJUSTMENT

Due to Court ordered assessment of KSBIT liability, the liability was reduced creating an understatement of net position as follows:

Net Position July 1, 2013	\$ 16,423,044
Prior Period Adjustment	<u>92,334</u>
Restated Net Position July 1, 2013	<u>\$ 16,515,378</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE S – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2014, the date of the audit report.

WASHINGTON COUNTY SCHOOL DISTRICT
 Combining Balance Sheet - Nonmajor Governmental Funds
 for the year ended June 30, 2014

Other Governmental Funds								
		Capital Outlay	FSPK	Permanent	Total			
Assets								
Cash and Cash Equivalents	\$	75,583	\$	432,876	\$	9,826	\$	518,285
Total Assets		75,583		432,876		9,826		518,285
Fund Balances								
Nonspendable						7,907		7,907
Restricted		75,583		432,876		1,919		510,378
Total Fund Balances	\$	75,583	\$	432,876	\$	9,826	\$	518,285

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year ended June 30, 2014

	Other Governmental Funds			
	Capital Outlay	FSPK	Permanent	Total
Revenues				
From Local Sources				
Taxes				
Property	\$ -	\$ 613,466	\$ -	\$ 613,466
Earnings from investments	5,079	27,264	1,413	33,756
Other local revenue			505	505
Intergovernmental - State	150,478	477,500		627,978
	<u>155,557</u>	<u>1,118,230</u>	<u>1,919</u>	<u>1,275,705</u>
Total Revenues				
Expenditures				
Scholarships				-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures	<u>155,557</u>	<u>1,118,230</u>	<u>1,919</u>	<u>1,275,705</u>
Other Financing Sources (Uses)				
Transfers (Out)	(155,156)	(1,015,065)		(1,170,221)
Total Other Financing Sources (Uses)	(155,156)	(1,015,065)	-	(1,170,221)
Net change in fund balances	401	103,165	1,919	105,485
Fund Balance Beginning	<u>75,183</u>	<u>329,710</u>	<u>7,907</u>	<u>412,800</u>
Fund Balance ending	<u>\$ 75,583</u>	<u>\$ 432,876</u>	<u>\$ 9,826</u>	<u>\$ 518,285</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Balance Sheet of Fiduciary Funds- School Activity and Private Purpose Trust
 Year ended June 30, 2014

SCHOOL ACTIVITY FUNDS							
	WASHINGTON COUNTY HIGH SCHOOL	WASHINGTON CO HIGH CHARITABLE GAMING	WASHINGTON COUNTY MIDDLE SCHOOL	WASHINGTON COUNTY ELEMENTARY	NORTH WASHINGTON ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
ASSETS							
Cash and cash equivalents	\$ 82,595	\$ 1,508	\$ 8,408	\$ 26,036	\$ 23,444	\$ 21,702	\$ 163,693
Accounts receivable	<u>1,734</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>343</u>	<u>-</u>	<u>2,093</u>
Total Assets	<u><u>84,329</u></u>	<u><u>1,508</u></u>	<u><u>8,424</u></u>	<u><u>26,036</u></u>	<u><u>23,787</u></u>	<u><u>21,702</u></u>	<u><u>165,786</u></u>
LIABILITIES							
Accounts payable	<u>6,932</u>	<u>-</u>	<u>1,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,229</u>
Total Liabilities	<u>6,932</u>	<u>-</u>	<u>1,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,229</u>
FUND BALANCE							
Scholarships						21,702	21,702
School Activities	<u>77,397</u>	<u>1,508</u>	<u>7,127</u>	<u>26,036</u>	<u>23,787</u>	<u>-</u>	<u>135,856</u>
Total Fund Balance	<u><u>77,397</u></u>	<u><u>1,508</u></u>	<u><u>7,127</u></u>	<u><u>26,036</u></u>	<u><u>23,787</u></u>	<u><u>21,702</u></u>	<u><u>157,557</u></u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity and Private Purpose Trust
 Year ended June 30, 2014

SCHOOL ACTIVITY FUNDS

	WASHINGTON COUNTY HIGH SCHOOL	WASHINGTON CO HIGH CHARITABLE GAMING	WASHINGTON COUNTY MIDDLE SCHOOL	WASHINGTON COUNTY ELEMENTARY	NORTH WASHINGTON ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
REVENUES							
Student revenues	\$ 210,189	\$ 3,706	\$ 46,647	\$ 20,996	\$ 95,105	\$ -	\$ 376,643
Other local revenue	-					736	736
Total revenues	<u>210,189</u>	<u>3,706</u>	<u>46,647</u>	<u>20,996</u>	<u>95,105</u>	<u>736</u>	<u>377,379</u>
EXPENDITURES							
Student activities	204,186	3,477	49,324	18,761	89,205	-	364,953
Community services						-	-
Total expenditures	<u>204,186</u>	<u>3,477</u>	<u>49,324</u>	<u>18,761</u>	<u>89,205</u>	<u>-</u>	<u>364,953</u>
Excess (Deficit) of Revenues Over Expenses	<u>6,003</u>	<u>229</u>	<u>(2,677)</u>	<u>2,235</u>	<u>5,900</u>	<u>736</u>	<u>12,426</u>
FUND BALANCE JULY 1, 2013	<u>71,394</u>	<u>1,279</u>	<u>9,804</u>	<u>23,801</u>	<u>17,887</u>	<u>20,966</u>	<u>145,132</u>
FUND BALANCE JUNE 30, 2014	<u>\$ 77,397</u>	<u>\$ 1,508</u>	<u>\$ 7,127</u>	<u>\$ 26,036</u>	<u>\$ 23,787</u>	<u>\$ 21,702</u>	<u>\$ 157,557</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Balance - Washington County High School
Year ended June 30, 2014

	FUND BALANCE		REVENUES		EXPENSES		TRANSFERS		FUND BALANCE
	July 1, 2013								June 30, 2014
GENERAL FUND	\$ 3,137	\$	3,378	\$	6,940	\$	1,999	\$	1,573
ACADEMIC TEAM	642		-		165		-		477
SENIOR REWARDS TRIP	98		1,900		-		(1,998)		-
19th DISTRICT VOLLEY	-		1,760		1,309		(451)		-
CRYTOZOOLOGY CLUB	0		-		-		(0)		-
19TH DISTRICT BASKETB	1,964		-		-		(1,964)		-
AP CLASSES	3,303		6,666		7,144		534		3,358
STLP	1,267		200		500		400		1,367
FEES/FT/GRADUATION/D	1,441		1,750		530		-		2,661
PROFESSIONAL DEVELO	150		-		53		(98)		-
JOBS	77		-		-		-		77
TEXTBOOKS FEES	5,619		3,963		1,881		-		7,701
LOCKER FEES	10,640		2,460		200		15		12,915
CONCESSIONS	3,050		11,489		4,087		(7,952)		2,500
FACULTY	149		469		389		-		228
FFA-MCBRIDE MEMORIA	-		410		-		-		410
RESOURCE ROOM	159		-		-		-		159
FRYSC	824		-		132		(20)		672
AFRO-AMERICAN CLUB	27		-		-		(27)		-
FCA	19		138		-		-		157
BETA CLUB	604		90		75		-		619
DRAMA CLUB	1,235		-		-		-		1,235
FFA	3,376		15,066		18,402		1,000		1,041
FCCLA	768		51,025		51,060		205		937
EPH MCDOWELL - SENIO	-		100		100		-		-
PEP CLUB	343		747		641		-		449
PROJECT GRADUATION	451		13,646		13,281		-		817
SPANISH/WORLD LANGU	737		-		-		180		917
SPORTMANSCLUB	13		190		156		-		47
FRENCH	180		-		-		(180)		-
NHS	319		682		891		-		110
STUDENT COUNCIL	1,373		83		-		-		1,456
GREENHOUSE	3,396		9,047		6,689		(1,000)		4,754
ART	1,114		3,631		4,337		-		408
NATL ART HONOR SOCIE	218		-		-		-		218
MCBRIDE ART DONATION	-		400		-		-		400
BAND	24		-		-		-		24
CASTLE CLUB	8		-		-		(8)		-
CHOIR	249		-		-		(249)		-
ENGLISH	224		-		138		(86)		-
MATH	1		-		-		(1)		-
P.E.	12		-		-		(12)		-
SCIENCE	29		-		-		(29)		-
SPECIAL ED	49		-		-		(49)		-
ARTS & HUMANITIES	36		-		36		(0)		0
ATHLETIC	4,335		42,073		50,666		9,135		4,878
SOFTBALL	2,315		-		1,924		-		391
BOYS GOLF	139		-		-		-		139
BOYS BASKETBALL	53		5,035		3,727		-		1,361
BOYS BASKETBALL DON	-		2,297		2,097		-		200
BASEBALL	975		884		1,332		-		527
CHEERLEADERS	492		1,576		1,792		-		276
VOLLEYBALL	-		11,090		6,181		(2,094)		2,814
VB TOURNEY OFFICIALS	-		600		-		(600)		-
VOLLEYBALL DONATION	-		-		790		1,121		331
2014 8TH GRADE TOURN	-		-		342		2,807		2,465
TRACK	184		700		736		-		148
BASS FISHING	838		2,980		3,192		-		625
SOCCER	458		-		-		-		458
ARCHERY	106		250		-		-		356
PROM	1,249		4,090		2,455		(600)		2,284
LIBRARY	5,763		3,480		4,856		25		4,412
YEARBOOK	7,161		5,845		4,960		-		8,046
Totals	\$ 71,394	\$	210,189	\$	204,186		-	\$	77,397

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Washington County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2014, the District had food commodities totaling \$62,152.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 Year ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553			
Fiscal Year 13		7760005 13 \$	N/A \$	30,940
Fiscal Year 14		7760005 14	N/A	117,547
National School Lunch Program	10.555			
Fiscal Year 13		7750002 13	N/A	103,338
Fiscal Year 14		7750002 14	N/A	379,772
Summer Food Program	10.559			
Fiscal Year 13		7740023 13	N/A	15,916
Fiscal Year 13		7690024 13	N/A	1,663
Child Nutrition Cluster Subtotal				649,177
State Administrative Expenses for Child Nutrition	10.560			
Fiscal Year 12		7850012 12	N/A	1,000
Passed Through State Department of Agriculture:				
Food Donation-Commodities	10.565			
Fiscal Year 14		510.4950	N/A	62,152
Total US Department of Agriculture				712,329
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 12		3100002 12	391,693	325
Fiscal Year 13		3100002 13	449,123	85,857
Fiscal Year 14		3100002 14	436,245	268,186
Title I School Improvement Part (A)	84.010A			
Fiscal Year 13		3100202 13	223,428	3,375
				357,743
Migrant Education	84.011A			
Fiscal Year 13		3110002 13	34,000	3,172
Fiscal Year 14		3110002 14	35,000	27,912
				31,084
* Special Education Grants to States	84.027A			
Fiscal Year 12		3810002 12	393,957	78,506
Fiscal Year 13		3810002 13	386,001	305,106
Fiscal Year 13P		3810002 13	17,241	7,181
Fiscal Year 14P		3810002 14	9,076	2,117
* Special Education Preschool	84.173A			
Fiscal Year 12		3800002 12	38,131	7,423
Fiscal Year 13		3800002 13	38,608	30,456
Fiscal Year 14		3800002 14	37,686	69
Special Education Cluster Subtotal				430,858
Rural Education	84.358B			
Fiscal Year 13		3140002 13	32,421	17,160
Fiscal Year 14		3140002 14	30,451	1,891
				19,051
Title III Limited English Proficiency	84.365A			
Fiscal Year 13		3300002 13	10,243	5,420
Fiscal Year 14		3300002 14	8,042	6,677
				12,096
Vocation Education-Basic Grants to States	84.048			
Fiscal Year 13A		4621332 13	824	760
Fiscal Year 14		3710002 14	15,787	15,290
				16,050
Title II Teacher Quality	84.367A			
Fiscal Year 12		3230002 12	99,633	6,187
Fiscal Year 13		3230002 13	99,095	51,210
Fiscal Year 14		3230003 14	94,763	74,886
				132,284
* Twenty-First Century Community Learning Centers	84.287			
Fiscal Year 12W		3400002 12	67,500	14,943
Fiscal Year 12J		3400002 12	2,000	1,221
Fiscal Year 12N		3400002 12	67,500	6,551
Fiscal Year 13N		3400002 11	60,000	57,176
Fiscal Year 13S		3400002 11	10,000	10,000
Fiscal Year 13U		3400002 13	2,526	2,526
Fiscal Year 13W		3400002 11	60,000	56,430
				148,847
Race to the Top	84.413A			

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 Year ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Fiscal Year 11		3960002 11	18,291	1,809
Passed Through Commonwealth of Kentucky Adult Education-Community Based Work Transition Fiscal Year 14	84.002	3714	36,389	36,389
Total US Department of Education				<u>1,186,211</u>
US Department of Justice Passed Through Substance Abuse & Mental Health Services Administration Drug Free Community Support Fiscal Year 13	16.279	5003	\$ 125,000	44,219
Total US Department of Justice				<u>44,219</u>
Total Expenditure of Federal Awards				<u>\$ 1,942,759</u>

* Major Programs

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

To the Washington County Board of Education and
State Committee for School District Audits
Springfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washington County School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Washington County School District, in a separate letter dated November 10, 2014.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School Districts' Audit Contract and Requirements or Appendices.

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.

White & Associates, P.C.

Richmond, Kentucky
November 10, 2014

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

To the Washington County Board of Education and
State Committee for School District Audits
Springfield, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Washington County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washington County School District's major federal programs for the year ended June 30, 2014. Washington County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. 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 Washington County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Washington County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Washington County 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 Washington County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County School District's internal control over compliance.

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

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

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

White & Associates, PSC

Richmond, Kentucky
November 10, 2014

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed For major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Twenty-First Century Community Learning Centers [84.287] Special Education Cluster [84.027A, 84.173A]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No major federal award findings.

WASHINGTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior year findings.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no prior year findings.