

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2014

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Marr, Miller & Myers, PSC

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INDEPENDENT AUDITOR'S REPORT

October 22, 2014

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District (the "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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 18-19 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 U.S. generally accepted auditing standards, 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 District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

As management of the Whitley County School District, we offer readers of the District's financial statement 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.

SUPERINTENDENTS' REVIEW OF THE YEAR

- Whitley County High School was recognized as one of only five high performing, high progressing, Distinguished high schools in the state.
- The District continued to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels.
- Trained two cohorts of teachers in proper safe restraint techniques.
- The District built leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans and as PLC leaders for grade-level and core content teacher teams.
- All schools presented disaggregated data annual test results and plans for school improvement to the Board of Education.
- The focus on improved instruction throughout the district remained a priority with the continued employment of our technology integration specialist, writing specialist, math specialist and reading specialist, all specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.
- Installed buzzer entry systems in all schools and installed "Bright Blue" card entry system at Whitley County High School in an effort to strengthen safe and limited access at schools.
- All schools participated in the pilot of the new PGES. All principals were successfully trained, through TeachScape, in the implementation of the new evaluation system.
- The District increased its focus on student achievement through providing professional development including:
 - Assisting Lower Achieving Students in the Classroom
 - Grade Level Academies
 - Internet Safety
 - Modifying Instruction for Diverse Learners
 - Improving Student Motivation
 - Classroom Behavior Management
 - Curriculum Alignment
 - Building Positive Parent Relations
 - Formative/Summative Assessments
 - Program reviews
 - Response to Intervention
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
 - CIITS
 - Video conferencing with Lync
 - Creating online classroom environments

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June 30, 2014

- PD 360
 - Smart Boards in the classroom
 - Instructional use of iPads in the classroom
 - Riverdeep software
 - iMac tutorials
 - Document Cameras
 - Student Response Systems
 - MAP
 - Kindergarten Screening
 - TPGES
 - AIMSWeb progress monitoring
- Revision and implementation of a technology curriculum for the elementary and middle students that teaches our students about internet safety, keyboarding skills, and computer fundamentals through core content instruction.
 - Continued the Read to Achieve, Reading Recovery and Early Incentive Reading programs targeting at-risk readers in the elementary schools.
 - Continued participation in the MAF grant program targeting students performing below grade level in mathematics at four of our elementary schools, Central Primary, East, North and Boston.
 - Continued a collaborative program with Save The Children at Pleasant View Elementary, Whitley Central Intermediate, Oak Grove Elementary and Central Primary Schools designed to improve the literacy levels of at-risk students. Services are targeted to struggling readers both during the school day and in an after-school program. These schools also participate in Healthy Choices and the Early Steps birth to three initiative.
 - Hosted a Town Hall meeting in collaboration with Safe the Children at Pleasant View Elementary School, with featured guest United States Secretary of Education Arne Duncan.
 - Continued the Y.O.U. (Youth Opportunities Unlimited) program targeting students at-risk of dropping out of school. This program assists with credit completion and employment opportunities.
 - Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
 - In collaboration with Jellico Community Hospital, opened a full service Health Clinic inside Whitley County High School, to service students and staff on the Central Campus.
 - Continued participation in the 21st Century Community Learning Grants at Pleasant View, Boston, North, Whitley Central Primary and Intermediate Schools, and the Middle School and High School. The 21st Century Community Learning Grant provides after school and summer learning opportunities and field trips for our students.
 - Continued *Technology Tidbits* - blog to inform staff of exciting and new technology information that can be used in the classroom.
 - Continued an online staff portal to collaborate and share information among staff members.
 - Began a Wiki, an online collaborative site, to share information with staff, parents, and community.

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- Whitley County High School had a record 7 students accepted into the Governor's Scholars Program for 2014.
- Broke ground for the new Pleasant View Elementary School.
- All buildings in the district continue to utilize Automated Logic, a digital energy control system.
- Continued implementation of a data driven instructional framework to provide instructional support for at risk students. This framework is based on Response to Intervention models and is designed to pinpoint the needs of students who are functioning at academic levels below their peers.
- Graduated the first group of teachers from the new Whitley County School District Aspiring Principals Cohort, our own in-house leadership training program.

The Special Education Department has refined the implementation phase of its initiative to enhance the delivery of specially designed instruction for students identified with special needs:

- Special education personnel have been trained to use data to drive the development of Individual Education Plans. Using weekly progress data from AIMSweb, special education personnel are collecting performance data and are using the data collected to respond to the needs of the student. Under the direction of the ARC, personnel response may include changing the type and degree of intervention received and/or changing the location of the setting in which services are delivered. By doing so, the Special Education Program ensures that services are not stagnant. Special educational personnel continue to implement SRA's Reading Mastery and Corrective Reading programs for all K-8 special education students that qualify for specially designed instruction in the area of reading to improve reading performance district wide. Student's not responding to SRA are being offered additional reading intervention through RAVE-O or Read-Well. Regarding math, special education personnel have been trained and are implementing Envision Math and Focus Math to improve mathematics performance district-wide. Teachers continue to report significant gains in grades K-8. Results will continue to be monitored to validate the effectiveness of the programs.
- RTI Workgroups are district- and school-wide brainstorming sessions that analyze student needs and help determine the appropriate specially designed interventions to meet that individual student's area of need based on data. Using AIMSweb, special education teachers are critically evaluating student response to specially designed instruction and selecting interventions according to rates of improvement. This has improved the eligibility decisions for relevant students.
- Although the ASD Cadre has been discontinued by the Special Education Cooperative under the direction of the Kentucky Department of Education, previously trained members are continuing to target the learning needs of students identified with Autism Spectrum Disorder. District personnel are exhibiting proficiency in the 24 evidence-based practices that are used/implemented with a student diagnosed with ASD in our school district and a system has been established to process referrals supporting the allocation of resources when meeting the needs of students with ASD.
- Special Education Tech Academy is a within district technology awareness forum, under the collaboration of Special Education and Technology Department, setup for resource teachers who teach students with special needs. This forum provides on-going hands-on training about a variety of technology equipment that can be utilized within the classroom. This academy has also been instrumental in providing and supporting the educational use of mobile Special Education iPad labs in every school within the district. Furthermore, this academy has resulted in the creation of an iPad Application Request Procedure that improves the efficiency of installing individualized iPad applications for individualized learning needs of students.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$10,351,011 in 2014 and \$4,074,301 in 2013. This is an increase of \$6,276,710. Restricted funds comprised \$9,899,209 of the cash balance in 2014 as compared to \$4,177,524 in 2013. General Fund cash decreased \$422,326 from 2013 to 2014, and the Special Revenue Fund cash deficit decreased \$466,220 from 2013 to 2014.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.
- Earnings on investments increased \$12,139 due to available monies on uncompleted construction projects.
- The General Fund had \$33,291,897 in revenues (excluding interfund transfers and proceeds from sale of assets), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$33,765,610 in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are for day care, community education and food service operations. All other activities of the District are included in the governmental funds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The basic governmental fund financial statements can be found on pages 13 through 24 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 25 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2014

Fiscal year 2014 government-wide net position compared to 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 12,106,248	\$ 6,353,645
Capital assets	49,456,572	49,307,629
Discount on bonds, net	<u>79,017</u>	<u>20,315</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 61,641,837</u>	<u>\$ 55,681,589</u>
Current liabilities	\$ 2,705,972	\$ 3,128,167
Noncurrent liabilities	<u>35,603,364</u>	<u>27,868,579</u>
Total Liabilities	<u>\$ 38,309,336</u>	<u>\$ 30,996,746</u>
Net position		
Investment in capital assets, net of related debt	\$ 13,477,221	\$ 20,499,004
Restricted	9,663,120	3,580,548
Unrestricted	<u>192,160</u>	<u>605,291</u>
Total Net Position	<u>\$ 23,332,501</u>	<u>\$ 24,684,843</u>

The most significant change in the financial position of the District since the last audit was the increase in cash and cash equivalents in the amount of \$6,276,710. The District also had an overall increase in liabilities in the amount of \$7,312,590. These increases were primarily due to bond proceeds and the related liability incurred in 2014. The investment in capital assets, net of related debt had a decrease in the amount of \$7,021,783.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2014</u>	<u>Percent</u>	<u>2013</u>	<u>Percent</u>
REVENUES				
Local revenue sources	\$ 5,182,410	10.03%	\$ 5,289,629	11.50%
State revenue sources	32,468,577	62.83	33,145,727	72.05

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

	<u>2014</u>	<u>Percent</u>	<u>2013</u>	<u>Percent</u>
Federal revenue sources	5,328,344	10.31	6,142,409	13.35
Operating transfers (net)	125,445	.24	405,375	.88
Proceeds from sale of assets	5,882	.01	445	-
Bond proceeds	<u>8,570,000</u>	<u>16.58</u>	<u>1,020,000</u>	<u>2.22</u>
Total revenues	<u>51,680,658</u>	<u>100.00</u>	<u>46,003,585</u>	<u>100.00</u>
EXPENDITURES				
Instruction	27,541,552	53.29	29,096,385	63.25
Student support services	1,409,493	2.72	1,132,900	2.46
Instruction staff	1,550,709	3.00	1,988,717	4.32
District administration	1,270,328	2.46	1,246,118	2.71
School administration	1,566,029	3.03	1,558,448	3.39
Business	780,058	1.51	842,416	1.83
Plant operations and maintenance	2,974,473	5.76	3,047,414	6.62
Student transportation	3,059,281	5.92	3,159,373	6.87
Building acquisitions and construction	2,181,813	4.22	1,122,452	2.44
Building improvements	208,584	.40	768,964	1.67
Food service operation	6,161	.01	4,767	.01
Community services activities	592,006	1.15	583,410	1.27
Bond discount	61,078	.12	-	-
Bond fees/issuance costs	58,780	.11	39,000	.08
Debt service/lease payments	<u>2,441,393</u>	<u>4.73</u>	<u>2,469,106</u>	<u>5.37</u>
Total expenditures	<u>45,701,738</u>	<u>88.43</u>	<u>47,059,470</u>	<u>102.29</u>
Excess revenues (expenditures)	<u>\$ 5,978,920</u>	<u>11.57%</u>	<u>\$(1,055,885)</u>	<u>(2.29)%</u>

The majority of the District's revenues were derived from state revenue sources, making up 62.83% of total revenues in 2014 as compared to 72.05% in 2013. Bond proceeds comprised 16.58% of total revenues in 2014 as compared to 2.22% in 2013. Federal revenue sources comprised 10.31% of total revenues in 2014 as compared to 13.35% in 2013.

The majority of the District's expenditures were for instruction, making up 53.29% of total expenditures in 2014 as compared to 63.25% in 2013. Student transportation comprised 5.92% of the District's total expenditures in 2014 as compared to 6.87% in 2013. Plant operations and maintenance comprised 5.76% of the District's total expenditures in 2014 as compared to 6.62% in 2013. Capital assets of \$2,597,605 were charged to expenditures in 2014 as compared to \$2,168,769 in 2013.

Comments on Budget Comparisons

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the original 2013-14 budget with \$898,009 in contingency (3.47%).

- The District's total general fund revenues for the fiscal year ended June 30, 2014 were \$33,291,897.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$7,409,331 more than budget or 28.63%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$7,572,568 that were not budgeted. When these are eliminated, revenues compared to budget were \$163,237 or .63% less than anticipated.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

- The District's total general fund expenditures for the fiscal year ended June 30, 2014 were \$33,765,610.
- General fund budgeted expenditures compared to actual varied significantly in instruction support with them being \$6,955,106 over budget. Student transportation closed with a budget deficit of \$587,665. These were due primarily to on-behalf payments of \$7,572,568, which were not budgeted. When these are eliminated, expenditures compared to budget were \$597,605 or 2.22% less than budget.

Future Budget Implications

The District adopted a budget for 2014-15 with \$608,618 in contingency (2.27%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, KISTA bus lease obligations, the KSBIT liability assessment and construction of the new Pleasant View Elementary School.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Leigh Burke, Chief Financial Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
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STATEMENT OF NET POSITION
June 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,433,674	\$ 917,337	\$ 10,351,011
Accounts receivable:			
Taxes – current	389,301	-	389,301
Accounts receivable	155,229	18	155,247
Intergovernmental – state	146,755	-	146,755
Intergovernmental – federal	894,334	44,966	939,300
Materials and supplies inventory	-	124,634	124,634
Total current assets	<u>11,019,293</u>	<u>1,086,955</u>	<u>12,106,248</u>
NONCURRENT ASSETS			
Capital assets, net	<u>49,109,807</u>	<u>346,765</u>	<u>49,456,572</u>
Total noncurrent assets	<u>49,109,807</u>	<u>346,765</u>	<u>49,456,572</u>
DEFERRED OUTFLOWS OF RESOURCES			
Discount on bonds, net	<u>79,017</u>	-	<u>79,017</u>
Total deferred outflows of resources	<u>79,017</u>	-	<u>79,017</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>60,208,117</u>	<u>1,433,720</u>	<u>61,641,837</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	370,702	6,828	377,530
Construction retainage payable	60,945	-	60,945
Matured coupons outstanding	52,416	-	52,416
Accrued salaries and benefits payable	457,838	-	457,838
Deferred revenue	182,965	-	182,965
Current portion of bond obligations	1,425,000	-	1,425,000
Current portion of lease obligations	76,336	-	76,336
Current portion of accumulated sick leave payable	<u>72,942</u>	-	<u>72,942</u>
Total current liabilities	<u>2,699,144</u>	<u>6,828</u>	<u>2,705,972</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	34,092,801	-	34,092,801
Noncurrent portion of lease obligations	385,214	-	385,214
Noncurrent portion of accumulated sick leave payable	413,340	-	413,340
Noncurrent portion of insurance settlement payment	<u>712,009</u>	-	<u>712,009</u>
Total noncurrent liabilities	<u>35,603,364</u>	-	<u>35,603,364</u>
TOTAL LIABILITIES	<u>38,302,508</u>	<u>6,828</u>	<u>38,309,336</u>
NET POSITION			
Investment in capital assets, net of related debt	13,130,456	346,765	13,477,221
Restricted	8,582,993	1,080,127	9,663,120
Unrestricted	<u>192,160</u>	-	<u>192,160</u>
TOTAL NET POSITION	<u>\$ 21,905,609</u>	<u>\$ 1,426,892</u>	<u>\$ 23,332,501</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$29,983,474	\$ -	\$ 6,622,298	\$ -
Support services:				
Student	1,412,138	-	-	-
Instructional staff	1,554,925	-	-	-
District administration	1,279,148	-	183,664	-
School administration	1,567,249	-	56,841	-
Business	798,743	-	183,664	-
Plant operations and maintenance	3,091,175	-	-	-
Student transportation	3,405,317	-	526,101	-
Food service	6,161	-	-	-
Community services activities	592,373	-	-	-
Interest on long-term debt	1,042,119	-	-	-
Bond fees/issuance costs/amortization	61,156	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$44,793,978</u>	<u>\$ -</u>	<u>\$ 7,572,568</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 3,136,341	\$ 102,287	\$ 3,486,566	\$ -
Day care	124,725	77,319	43,535	-
Community education	25	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,261,091</u>	<u>\$ 179,606</u>	<u>\$ 3,530,101</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$48,055,069</u>	<u>\$ 179,606</u>	<u>\$11,102,669</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (23,361,176)		\$ (23,361,176)
(1,412,138)		(1,412,138)
(1,554,925)		(1,554,925)
(1,095,484)		(1,095,484)
(1,510,408)		(1,510,408)
(615,079)		(615,079)
(3,091,175)		(3,091,175)
(2,879,216)		(2,879,216)
(6,161)		(6,161)
(592,373)		(592,373)
(1,042,119)		(1,042,119)
<u>(61,156)</u>		<u>(61,156)</u>
<u>(37,221,410)</u>		<u>(37,221,410)</u>
	\$ 452,512	452,512
	(3,871)	(3,871)
	<u>(25)</u>	<u>(25)</u>
	<u>448,616</u>	<u>448,616</u>
		<u>(36,772,794)</u>

GENERAL REVENUES

Taxes			
Property	2,442,969	-	2,442,969
Motor vehicle	662,470	-	662,470
Utilities	1,258,598	-	1,258,598
Revenue in lieu of taxes	42,507	-	42,507
State and formula grants	30,224,353	-	30,224,353
Earnings on investments	105,069	8,064	113,133
Gain on sale of fixed assets	5,625	-	5,625
Other local revenues	<u>670,797</u>	<u>-</u>	<u>670,797</u>
Total general revenues	35,412,388	8,064	35,420,452
Operating transfers (net)	<u>125,445</u>	<u>(125,445)</u>	<u>-</u>
Total general revenues and transfers	<u>35,537,833</u>	<u>(117,381)</u>	<u>35,420,452</u>
Change in net position	(1,683,577)	331,235	(1,352,342)
Net position, July 1, 2013	<u>23,589,186</u>	<u>1,095,657</u>	<u>24,684,843</u>
Net position, June 30, 2014	<u>\$ 21,905,609</u>	<u>\$ 1,426,892</u>	<u>\$ 23,332,501</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 376,193	\$ (841,728)	\$ 9,899,209	\$ 9,433,674
Accounts receivable:				
Taxes – current	389,301	-	-	389,301
Accounts receivable	140,812	14,417	-	155,229
Intergovernmental – state	-	146,755	-	146,755
Intergovernmental – federal	-	894,334	-	894,334
TOTAL ASSETS AND RESOURCES	<u>\$ 906,306</u>	<u>\$ 213,778</u>	<u>\$ 9,899,209</u>	<u>\$ 11,019,293</u>
LIABILITIES				
Accounts payable	\$ 81,023	\$ 30,813	\$ 258,866	\$ 370,702
Construction retainage payable	-	-	60,945	60,945
Matured coupons outstanding	-	-	52,416	52,416
Accrued salaries and benefits payable	457,838	-	-	457,838
Deferred revenue	-	182,965	-	182,965
TOTAL LIABILITIES	<u>538,861</u>	<u>213,778</u>	<u>372,227</u>	<u>1,124,866</u>
FUND BALANCES				
Restricted				
Sick leave payable	72,942	-	-	72,942
SFCC escrow – prior offer	-	-	72,655	72,655
Future construction projects (BG-1)	-	-	8,064,740	8,064,740
Debt service	-	-	1,389,587	1,389,587
Committed				
Other lease obligations	76,336	-	-	76,336
Assigned				
Purchase obligations	26,007	-	-	26,007
Unassigned	192,160	-	-	192,160
TOTAL FUND BALANCES	<u>367,445</u>	<u>-</u>	<u>9,526,982</u>	<u>9,894,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 906,306</u>	<u>\$ 213,778</u>	<u>\$ 9,899,209</u>	<u>\$ 11,019,293</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances per fund financial statements			\$ 9,894,427
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net position.			49,109,807
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds, but they are presented in the statement of net position. Long-term liabilities at year end consist of:			
Accumulated sick leave payable	\$	486,282	
Bonds payable		35,517,801	
Lease obligations		461,550	
Insurance settlement payment		<u>712,009</u>	(37,177,642)
Discount on bonds, net are not financial resources, and therefore are not reported as assets in the governmental funds.			<u>79,017</u>
Total Net Position - Governmental Activities			<u>\$ 21,905,609</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,180,287	\$ -
Motor vehicle	662,470	-
Utilities	1,258,598	-
Earnings on investments	26,382	1,966
Other local revenues	264,847	448,457
Intergovernmental – state	28,808,749	1,721,095
Intergovernmental – indirect federal	90,564	4,763,990
Intergovernmental – direct federal	-	78,771
TOTAL REVENUES	<u>33,291,897</u>	<u>7,014,279</u>
 EXPENDITURES		
Instruction	21,629,932	5,911,620
Support services:		
Student	1,262,910	146,583
Instructional staff	1,055,863	494,846
District administration	1,264,490	5,838
School administration	1,531,329	34,700
Business	780,058	-
Plant operations and maintenance	2,974,473	-
Student transportation	3,059,281	-
Building acquisitions and construction	-	-
Building improvements	-	-
Food service operation	6,161	-
Community services activities	110,064	481,942
Payment of bonds/debt service	-	-
Payment of lease obligations	74,274	-
Payment of interest	16,775	-
TOTAL EXPENDITURES	<u>33,765,610</u>	<u>7,075,529</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(473,713)</u>	<u>(61,250)</u>
 OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond discount	-	-
Bond fees/issuance costs	-	-
Operating transfers in	125,445	61,250
Operating transfers out	(61,250)	-
Proceeds from sale of assets	5,882	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>70,077</u>	<u>61,250</u>
 NET CHANGES IN FUND BALANCES	(403,636)	-
 FUND BALANCES, JULY 1, 2013	<u>771,081</u>	-
 FUND BALANCES, JUNE 30, 2014	<u>\$ 367,445</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 262,682	\$ 2,442,969
-	662,470
-	1,258,598
76,721	105,069
-	713,304
1,938,733	32,468,577
-	4,854,554
<u>395,019</u>	<u>473,790</u>
<u>2,673,155</u>	<u>42,979,331</u>
-	27,541,552
-	1,409,493
-	1,550,709
-	1,270,328
-	1,566,029
-	780,058
-	2,974,473
-	3,059,281
2,181,813	2,181,813
208,584	208,584
-	6,161
-	592,006
1,325,000	1,325,000
-	74,274
<u>1,025,344</u>	<u>1,042,119</u>
<u>4,740,741</u>	<u>45,581,880</u>
<u>(2,067,586)</u>	<u>(2,602,549)</u>
8,570,000	8,570,000
(61,078)	(61,078)
(58,780)	(58,780)
10,092,992	10,279,687
(10,092,992)	(10,154,242)
-	<u>5,882</u>
<u>8,450,142</u>	<u>8,581,469</u>
6,382,556	5,978,920
<u>3,144,426</u>	<u>3,915,507</u>
<u>\$ 9,526,982</u>	<u>\$ 9,894,427</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Total Net Change In Fund Balances per fund financial statements **\$ 5,978,920**

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

Governmental funds report capital outlays to purchase or build capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the current year capital outlays exceeded the current year depreciation expense.

Depreciation	\$ (2,408,758)	
Capital outlays	<u>2,597,605</u>	188,847

The difference between the proceeds related to the sale of capital assets, and the net book value of those assets disposed of during the year, is shown as a gain on disposal of capital assets on the statement of activities, while this is not reported in the governmental funds, as the costs of these capital assets were reported as an expenditure at the time of acquisition. 5,625

Proceeds related to the sale of capital assets are reported as other financing sources in the governmental funds. They are not considered income in the statement of activities (5,882)

Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in noncurrent liabilities in the statement of net position. (8,570,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position and does not result in an expense in the statement of activities. 1,325,000

Discounts on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year discount exceeded the current year amortization expense.

Discount/premium on bonds	61,078	
Amortization expense	<u>(2,376)</u>	58,702

Payments on lease obligations are an expenditure in the governmental funds, but the payments reduce noncurrent lease obligations in the statement of net position and do not result in an expense in the statement of activities. 74,274

Compensated absences (sick leave) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, expenditures for these amounts are measured by the amount of financial resources used (the amount paid). The difference in expenses reported in the statement of activities is a result of the change in accumulated sick leave. (27,054)

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2014

The insurance settlement payment required no expenditures in the current year. In the governmental funds, future expenditures for this payable will be measured by the amount of financial resources used (the current payment). The difference in expenses reported in the statement of activities is a result of the noncurrent portion of the payment due on the settlement.

(712,009)

Change In Net Position of Governmental Activities

\$(1,683,577)

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,225,000	\$ 2,225,000	\$ 2,180,287	\$ (44,713)
Motor vehicle	650,000	650,000	662,470	12,470
Utilities	1,275,000	1,275,000	1,258,598	(16,402)
Earnings on investments	45,000	45,000	26,382	(18,618)
Other local revenues	349,500	349,500	264,847	(84,653)
Intergovernmental – state	21,238,066	21,238,066	28,808,749	7,570,683
Intergovernmental – indirect federal	100,000	100,000	90,564	(9,436)
TOTAL REVENUES	25,882,566	25,882,566	33,291,897	7,409,331
EXPENDITURES				
Instruction	14,674,826	14,674,826	21,629,932	(6,955,106)
Support services:				
Student	1,115,826	1,115,826	1,262,910	(147,084)
Instructional staff	1,088,109	1,088,109	1,055,863	32,246
District administration	1,096,937	1,096,937	1,264,490	(167,553)
School administration	1,565,093	1,565,093	1,531,329	33,764
Business	583,055	583,055	780,058	(197,003)
Plant operations and maintenance	3,115,244	3,115,244	2,974,473	140,771
Student transportation	2,471,616	2,471,616	3,059,281	(587,665)
Food service operation	2,600	2,600	6,161	(3,561)
Community services activities	88,283	88,283	110,064	(21,781)
Debt service	91,049	91,049	91,049	-
Contingency	898,009	898,009	-	898,009
TOTAL EXPENDITURES	26,790,647	26,790,647	33,765,610	(6,974,963)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(908,081)	(908,081)	(473,713)	434,368
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,500	179,500	125,445	(54,055)
Operating transfers out	(50,000)	(50,000)	(61,250)	(11,250)
Proceeds from sale of assets	7,500	7,500	5,882	(1,618)
TOTAL OTHER FINANCING SOURCES (USES)	137,000	137,000	70,077	(66,923)
NET CHANGES IN FUND BALANCE	(771,081)	(771,081)	(403,636)	367,445
FUND BALANCE, JULY 1, 2013	771,081	771,081	771,081	-
FUND BALANCE, JUNE 30, 2014	\$ -	\$ -	\$ 367,445	\$ 367,445

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	113	1,966	1,853
Other local revenues	441,363	442,159	448,457	6,298
Intergovernmental – state	1,345,457	1,812,404	1,721,095	(91,309)
Intergovernmental – indirect federal	3,953,893	4,165,789	4,763,990	598,201
Intergovernmental – direct federal	46,865	77,978	78,771	793
TOTAL REVENUES	5,787,578	6,498,443	7,014,279	515,836
EXPENDITURES				
Instruction	4,681,278	5,351,637	5,911,620	(559,983)
Support services:				
Student	116,485	125,369	146,583	(21,214)
Instructional staff	524,903	548,508	494,846	53,662
District administration	-	-	5,838	(5,838)
School administration	34,089	40,325	34,700	5,625
Plant operations and maintenance	-	-	-	-
Community services activities	480,823	482,604	481,942	662
TOTAL EXPENDITURES	5,837,578	6,548,443	7,075,529	(527,086)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(50,000)	(61,250)	(11,250)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	50,000	61,250	11,250
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	61,250	11,250
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2013	-	-	-	-
FUND BALANCE, JUNE 30, 2014	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 917,337	\$ -	\$ -	\$ 917,337
Materials and supplies inventory	124,634	-	-	124,634
Accounts receivable:				
Accounts receivable	18	-	-	18
Intergovernmental – federal	44,966	-	-	44,966
Total current assets	<u>1,086,955</u>	<u>-</u>	<u>-</u>	<u>1,086,955</u>
NONCURRENT ASSETS				
Capital assets, net	<u>346,765</u>	<u>-</u>	<u>-</u>	<u>346,765</u>
TOTAL ASSETS	<u>1,433,720</u>	<u>-</u>	<u>-</u>	<u>1,433,720</u>
 <u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	<u>6,828</u>	<u>-</u>	<u>-</u>	<u>6,828</u>
Total current liabilities	<u>6,828</u>	<u>-</u>	<u>-</u>	<u>6,828</u>
NET POSITION				
Investment in capital assets	346,765	-	-	346,765
Nonspendable – inventories	124,634	-	-	124,634
Prior year encumbrances	70,444	-	-	70,444
Restricted	885,049	-	-	885,049
TOTAL NET POSITION	<u>\$ 1,426,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426,892</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Food Service	Day Care	Community Education	Total
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 77,319	\$ -	\$ 77,319
Sales	<u>102,287</u>	<u>-</u>	<u>-</u>	<u>102,287</u>
TOTAL OPERATING REVENUES	<u>102,287</u>	<u>77,319</u>	<u>-</u>	<u>179,606</u>
OPERATING EXPENSES				
Salaries	966,348	54,722	-	1,021,070
Employee benefits	591,511	67,229	-	658,740
Purchased services	14,626	2,375	-	17,001
Supplies and materials	1,510,274	399	25	1,510,698
Depreciation	53,582	-	-	53,582
Operating transfers (net)	<u>125,445</u>	<u>-</u>	<u>-</u>	<u>125,445</u>
TOTAL OPERATING EXPENSES	<u>3,261,786</u>	<u>124,725</u>	<u>25</u>	<u>3,386,536</u>
OPERATING INCOME (LOSS)	<u>(3,159,499)</u>	<u>(47,406)</u>	<u>(25)</u>	<u>(3,206,930)</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating grants -- federal	2,940,903	-	-	2,940,903
Operating grants -- state	381,434	43,535	-	424,969
Donated commodities	164,229	-	-	164,229
Interest income	<u>8,064</u>	<u>-</u>	<u>-</u>	<u>8,064</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,494,630</u>	<u>43,535</u>	<u>-</u>	<u>3,538,165</u>
CHANGES IN NET POSITION	335,131	(3,871)	(25)	331,235
NET POSITION, JULY 1, 2013	<u>1,091,761</u>	<u>3,871</u>	<u>25</u>	<u>1,095,657</u>
NET POSITION, JUNE 30, 2014	<u>\$ 1,426,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426,892</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from tuition and fees	\$ -	\$ 81,190	\$ -	\$ 81,190
Cash received from sales	106,742	-	-	106,742
Cash payments for salaries and employee benefits	(1,557,859)	(121,951)	-	(1,679,810)
Cash payments for purchased services	(14,626)	(2,375)	-	(17,001)
Cash payments for supplies and materials	(1,378,351)	(399)	(25)	(1,378,775)
Cash payments for operating transfers (net)	(125,445)	-	-	(125,445)
Net cash provided (used) by operating activities	<u>(2,969,539)</u>	<u>(43,535)</u>	<u>(25)</u>	<u>(3,013,099)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	<u>(13,935)</u>	-	-	<u>(13,935)</u>
Net cash provided (used) by capital and related financing activities	<u>(13,935)</u>	-	-	<u>(13,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	8,064	-	-	8,064
Receipt of grants	3,322,337	43,535	-	3,365,872
Receipt of donated commodities	164,229	-	-	164,229
Net cash provided (used) by investing activities	<u>3,494,630</u>	<u>43,535</u>	-	<u>3,538,165</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	511,156	-	(25)	511,131
CASH AND CASH EQUIVALENTS, JULY 1, 2013				
	<u>406,181</u>	-	25	<u>406,206</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2014				
	<u>\$ 917,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 917,337</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (3,159,499)	\$ (47,406)	\$ (25)	\$ (3,206,930)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation	53,582	-	-	53,582
Changes in assets and liabilities:				
Accounts receivable	143,319	3,871	-	147,190
Inventory	(8,086)	-	-	(8,086)
Accounts payable	1,145	-	-	1,145

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,969,539)</u>	<u>\$ (43,535)</u>	<u>\$ (25)</u>	<u>\$ (3,013,099)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u>\$ 164,229</u>
On-behalf payments from state government				<u>\$ 399,731</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2014

ASSETS

	<u>School Activity Funds</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 361,525
Accounts receivable	3,304
TOTAL ASSETS	<u>364,829</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	21,621
Due to students	<u>343,208</u>
TOTAL LIABILITIES	<u>364,829</u>
NET POSITION	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley 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 Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. 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 District. 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 statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

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 governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of 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 governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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. All taxes and revenues 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. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one 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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 48 through 50. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

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

II. Proprietary Fund Types (Enterprise Fund)

- (A) The 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 contributions of commodities from the USDA. The Food Service Fund is a major fund.

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

- (B) The Day Care Fund is used to account for the day care operations of the District. Day care operations of the District were discontinued in the current year due to continued poor performance.
- (C) The Community Education Fund is used to account for community education provided by the District. The District no longer receives funding for this and discontinued the fund in the current year.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2014 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 an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

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 adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land, 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 governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services 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 as operating expenses (net) in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for 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, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

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

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

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.

ESTIMATES

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

BUDGETARY PROCESS

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not 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 unencumbered budget appropriations lapse at year end.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2014, the carrying amount of the District's deposits (cash and cash equivalents) was \$10,351,011 and the bank balance was \$12,290,659. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Community Trust Bank, U.S. Bank, The Bank of New York Trust Co., N.A., BNY Mellon and First and Farmers National Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$15,219,025.
- c. Largest cash, savings and time deposit combined account balance amounted to \$13,939,964 and occurred during the month of June 2014.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – PROPERTY TAXES (CONTINUED)

levy for the 2014 fiscal year was based, was \$664,383,321. The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.386 per \$100 valuation for real estate, \$.398 per \$100 valuation for tangible property and \$.552 for motor vehicles. The District committed \$.059 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2014 were ninety percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

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

At June 30, 2014, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 73,492
PSC property tax	4
Delinquent property tax	13,543
Utilities tax	95,022
General property tax	<u>207,240</u>
	<u>\$ 389,301</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS

Changes in the District's deferred outflows (bond issuance costs, net of amortization) during the fiscal year 2014 were as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Discount on bonds, net	<u>\$ 20,315</u>	<u>\$ 61,078</u>	<u>\$ 2,376</u>	<u>\$ 79,017</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ 1,783,177	\$ 2,377,896	\$ 2,494,519	\$ 1,666,554
Land	1,410,839	12,500	-	1,423,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	57,769,664	2,494,519	-	60,264,183
Technology equipment	5,433,292	195,444	59,575	5,569,161
Vehicles	6,306,974	-	-	6,306,974
General equipment	2,896,250	11,765	-	2,908,015
Infrastructure	<u>608,460</u>	<u>-</u>	<u>-</u>	<u>608,460</u>
Totals at cost	<u>77,625,413</u>	<u>5,092,124</u>	<u>2,554,094</u>	<u>80,163,443</u>
Less accumulated depreciation:				
Land improvements	1,340,686	-	45,281	1,385,967
Buildings and improvements	16,614,448	-	1,361,201	17,975,649
Technology equipment	4,294,218	59,318	463,245	4,698,145
Vehicles	4,743,479	-	350,844	5,094,323
General equipment	1,565,907	-	158,989	1,724,896
Infrastructure	<u>145,458</u>	<u>-</u>	<u>29,198</u>	<u>174,656</u>
Total accumulated depreciation	<u>28,704,196</u>	<u>59,318</u>	<u>2,408,758</u>	<u>31,053,636</u>
Governmental activities capital assets, net	<u>\$ 48,921,217</u>	<u>\$ 5,151,442</u>	<u>\$ 4,962,852</u>	<u>\$ 49,109,807</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,427,389	\$ 13,935	\$ -	\$ 1,441,324
Technology equipment	<u>38,556</u>	<u>-</u>	<u>-</u>	<u>38,556</u>
Totals at cost	<u>1,465,945</u>	<u>13,935</u>	<u>-</u>	<u>1,479,880</u>
Less accumulated depreciation:				
Food service equipment	1,051,319	-	51,357	1,102,676
Technology equipment	<u>28,214</u>	<u>-</u>	<u>2,225</u>	<u>30,439</u>
Total accumulated depreciation	<u>1,079,533</u>	<u>-</u>	<u>53,582</u>	<u>1,133,115</u>
Business-type activities capital assets, net	<u>\$ 386,412</u>	<u>\$ 13,935</u>	<u>\$ 53,582</u>	<u>\$ 346,765</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,910,067
Support services:	
Student	2,645
Instructional staff	4,216
District administration	8,820
School administration	1,220

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business	18,685
Plant operations and maintenance	116,702
Student transportation	346,036
Community services activities	<u>367</u>
Total governmental activities	<u>\$ 2,408,758</u>

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2014 were as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amount Expected to be Paid Within One Year
Governmental activities					
Accumulated sick leave	\$ <u>459,228</u>	\$ <u>27,054</u>	\$ <u>-</u>	\$ <u>486,282</u>	\$ <u>72,942</u>

NOTE 8 – NOTES PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS

In 2014, the District entered into negotiations for a loan with KISTA (Kentucky Interlocal School Transportation Association) to provide funds needed to pay in full the District's total assessment required by the reorganization plan for the KSBIT (Kentucky School Board Insurance Trust) liability. A loan agreement dated September 1, 2014 with KISTA was entered into and provided funds of \$712,009. Interest rates range from 2.00% to 3.25%. The District's first debt service payment is due August 15, 2015 and is payable from the general fund. This loan may be prepaid without penalty on any date on or after September 1, 2019, upon 30 days written notice to KISTA.

The minimum obligations of the District at June 30, 2014 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2014-15	\$ -	\$ -	\$ -
2015-16	55,574	27,328	82,902
2016-17	66,086	16,816	82,902
2017-18	67,421	15,481	82,902
2018-19	68,835	14,067	82,902
2019-20	70,331	12,571	82,902
2020-21	72,169	10,733	82,902
2021-22	74,367	8,535	82,902
2022-23	76,632	6,270	82,902
2023-24	79,017	3,885	82,902
2024-25	<u>81,577</u>	<u>1,325</u>	<u>82,902</u>
	<u>\$ 712,009</u>	<u>\$ 117,011</u>	<u>\$ 829,020</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – NOTES PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2002A	\$ 7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
2004	1,055,000	1.00% to 3.25%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%
2006	6,425,000	4.0% to 4.15%
2007	3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%
2010	7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%
2014	8,570,000	1.80% to 4.00%

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2014:

	<u>Amount of Debt Outstanding July 1, 2013</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2014</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	<u>\$28,272,801</u>	<u>\$ 8,570,000</u>	<u>\$ 1,325,000</u>	<u>\$ 35,517,801</u>	<u>\$ 1,425,000</u>
Capital leases	<u>\$ 535,824</u>	<u>\$ -</u>	<u>\$ 74,274</u>	<u>\$ 461,550</u>	<u>\$ 76,336</u>

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In 2014, the District issued \$8,570,000 of School Building Revenue Bonds. After deducting the bond discount of \$61,078 and costs of issuance and bond fees of \$58,780, proceeds in the amount of \$8,450,142 were deposited into the construction fund.

In 2013, the District issued \$1,020,000 of Energy Conservation Revenue Bonds. After deducting the bond discount of \$20,400 and costs of issuance and bond fees in the amount of \$18,600, proceeds in the amount of \$981,000 were deposited into the construction fund.

In 2010, the District issued \$7,580,000 of School Building Refunding Revenue Bonds to refund the Series 2002A Bonds dated February 1, 2002. The Series 2002A Bonds maturing February 1, 2014 and thereafter were called on February 1, 2012 at a price of \$7,146,767, representing \$6,915,000 of principal, \$69,150 for a call premium and \$162,617 of interest.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – NOTES PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

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

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2014-15	\$ 417,748	\$ 186,231	\$ 1,007,252	\$ 689,986	\$ 2,301,217
2015-16	429,324	174,656	1,020,676	680,509	2,305,165
2016-17	442,914	161,067	1,047,086	657,877	2,308,944
2017-18	457,370	146,610	1,571,431	632,346	2,807,757
2018-19	432,507	132,041	1,607,493	604,082	2,776,123
2019-20	321,527	119,428	1,163,473	577,047	2,181,475
2020-21	333,170	107,784	1,196,830	544,501	2,182,285
2021-22	345,597	95,358	1,239,403	510,852	2,191,210
2022-23	358,641	82,313	871,359	466,423	1,778,736
2023-24	372,549	68,405	907,451	432,124	1,780,529
2024-25	387,082	53,871	952,918	396,387	1,790,258
2025-26	402,348	38,606	987,652	358,983	1,787,589
2026-27	66,135	22,647	1,043,865	311,484	1,444,131
2027-28	68,450	20,332	121,550	288,808	499,140
2028-29	70,845	17,937	109,155	285,198	483,135
2029-30	73,324	15,457	636,676	281,753	1,007,210
2030-31	75,891	12,891	1,564,109	259,789	1,912,680
2031-32	78,926	9,855	1,631,074	197,990	1,917,845
2032-33	82,083	6,698	1,697,917	133,602	1,920,300
2033-34	85,368	3,415	1,664,632	66,585	1,820,000
	<u>\$ 5,301,799</u>	<u>\$ 1,475,602</u>	<u>\$ 22,042,002</u>	<u>\$ 8,376,326</u>	<u>\$ 37,195,729</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. After deducting the bond discount of \$23,125 and various bond fees of \$13,874, proceeds in the amount of \$1,813,001 were deposited into the construction fund for additions and renovations at Whitley County High School. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. After deducting the bond discount of \$77,469 and various bond fees of \$47,414, proceeds in the amount of \$6,199,117 were deposited into the construction fund for the projects at Whitley County High School.

The above two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2014 for debt service (principal and interest):

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – NOTES PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Year	Whitley County School District Sinking Fund	Kentucky School Facility Construction Commission Sinking Fund	(ARRA) Direct Pay Interest	Total
2014-15	\$ 78,206	\$ 23,037	\$ 429,135	\$ 530,378
2015-16	73,627	23,037	429,135	525,799
2016-17	73,750	23,037	429,135	525,922
2017-18	72,560	23,037	429,135	524,732
2018-19	69,792	23,037	429,135	521,964
2019-20	44,591	23,037	429,135	496,763
2020-21	46,800	23,037	429,135	498,972
2021-22	40,311	23,037	429,135	492,483
2022-23	460,145	23,037	429,135	912,317
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,521,816</u>	<u>\$ 368,592</u>	<u>\$ 6,651,593</u>	<u>\$ 13,542,001</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2014 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2014-15	\$ 37,855	\$ 6,529	\$ 44,384
2015-16	38,960	5,356	44,316
2016-17	40,203	4,070	44,273
2017-18	34,401	2,663	37,064
2018-19	35,644	1,390	37,034
	<u>\$ 187,063</u>	<u>\$ 20,008</u>	<u>\$ 207,071</u>

During the current fiscal year, principal payments in the amount of \$36,611 were paid.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2014 for debt service (principal and interest) are as follows:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – NOTES PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-15	\$ 38,481	\$ 8,488	\$ 46,969
2015-16	39,096	7,680	46,776
2016-17	40,119	6,703	46,822
2017-18	41,142	5,600	46,742
2018-19	42,371	4,324	46,695
2019-20	36,025	2,841	38,866
2020-21	37,253	1,490	38,743
	<u>\$274,487</u>	<u>\$ 37,126</u>	<u>\$311,613</u>

During the current fiscal year, principal payments in the amount of \$37,663 were paid.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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). There were no instances of noncompliance noted.

NOTE 10 – RETIREMENT PLANS

Pension Plan

The Whitley County School System contributes to the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 181 Section 220 through Chapter 181 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – RETIREMENT PLANS (CONTINUED)

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 14.605% of salaries for members. The federal program for any salaries paid by that program pays the matching contributions. The Board is required to match 1.5% of salaries for all employees paid by the general fund.

The Whitley County School System's total payroll for the year was \$26,681,069. The payroll for employees covered under KTRS was \$19,950,726. For the year ended June 30, 2014, the Commonwealth contributed \$2,564,259 to KTRS for the benefit of participating employees. The School Districts' contribution to KTRS for the year ending June 30, 2014 was \$567,273, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for members before September 1, 2008 and 6% for members after and a Board contribution of 18.89% of the employee's total compensation subject to contribution. The contribution requirement for CERS for the year ended June 30, 2014 was \$1,578,081, which consisted of \$1,251,538 from the Board and \$326,543 from the employees.

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

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District provides a \$100 contribution to eligible participants.

Medical Insurance Plan

In addition to the pension benefits described above, Kentucky Revised Statute 181.875 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if 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 unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 12 – DEFICIT OPERATING/FUND BALANCES

The following fund had operations that resulted in a current year operating deficit in governmental funds, resulting in corresponding reductions in fund balance, as follows:

General Fund	\$ <u>403,636</u>
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NOTE 13 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Food Service	General	Indirect costs	\$ 125,445
Operating	Building/FSPK	Debt Service	Debt service requirement	1,112,826
Operating	General	Special Revenue	Matching – KETS	61,250
Operating	Capital Outlay	Debt Service	Debt service requirement	383,369
Operating	Building/FSPK	Construction	Construction	146,655
Operating	Debt Service	Construction	Construction	8,450,142

NOTE 14 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2014.

NOTE 15 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2014 is as follows:

Payments made by the State for fringe benefits of District employees and technology expenses were included in the following functional expense classifications:

Instruction	\$ 6,622,298
Support services:	
District administration	183,664
Business	183,664
Student transportation	526,101

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 15 – ON-BEHALF PAYMENTS

Network support	56,841
Food service	356,196
Day care	<u>43,535</u>
Total	<u>\$ 7,972,299</u>

Payments made by the KSFCC for its participation in the District's bonds were included in debt service expenditures \$ 558,565

NOTE 16 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events (see note 8). We performed this evaluation through October 22, 2014, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ 72,655	\$ 8,384,551	\$ 1,442,003	\$ 9,899,209
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 8,384,551</u>	<u>\$ 1,442,003</u>	<u>\$ 9,899,209</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 258,866	\$ -	\$ 258,866
Construction retainage payable	-	-	60,945	-	60,945
Matured coupons outstanding	-	-	-	52,416	52,416
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>319,811</u>	<u>52,416</u>	<u>372,227</u>
FUND BALANCES					
Restricted					
SFCC escrow – prior offer	-	72,655	-	-	72,655
Future construction projects (BG-1)	-	-	8,064,740	-	8,064,740
Debt service	-	-	-	1,389,587	1,389,587
TOTAL FUND BALANCES	<u>-</u>	<u>72,655</u>	<u>8,064,740</u>	<u>1,389,587</u>	<u>9,526,982</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 8,384,551</u>	<u>\$ 1,442,003</u>	<u>\$ 9,899,209</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 262,682	\$ -	\$ -	\$ 262,682
Earnings on investments	-	-	31,458	45,263	76,721
Intergovernmental – state	383,369	996,799	-	558,565	1,938,733
Intergovernmental – direct federal	-	-	-	395,019	395,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,019</u>	<u>395,019</u>
TOTAL REVENUES	<u>383,369</u>	<u>1,259,481</u>	<u>31,458</u>	<u>998,847</u>	<u>2,673,155</u>
EXPENDITURES					
Payment of bonds	-	-	-	1,325,000	1,325,000
Payment of interest	-	-	-	1,025,344	1,025,344
Building acquisitions and construction	-	-	2,181,813	-	2,181,813
Building improvements	-	-	208,584	-	208,584
	<u>-</u>	<u>-</u>	<u>208,584</u>	<u>-</u>	<u>208,584</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,390,397</u>	<u>2,350,344</u>	<u>4,740,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>383,369</u>	<u>1,259,481</u>	<u>(2,358,939)</u>	<u>(1,351,497)</u>	<u>(2,067,586)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	8,570,000	8,570,000
Bond discount	-	-	-	(61,078)	(61,078)
Bond fees/issuance costs	-	-	-	(58,780)	(58,780)
Operating transfers in	-	-	8,596,797	1,496,195	10,092,992
Operating transfers out	(383,369)	(1,259,481)	-	(8,450,142)	(10,092,992)
	<u>(383,369)</u>	<u>(1,259,481)</u>	<u>-</u>	<u>(8,450,142)</u>	<u>(10,092,992)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(383,369)</u>	<u>(1,259,481)</u>	<u>8,596,797</u>	<u>1,496,195</u>	<u>8,450,142</u>
NET CHANGES IN FUND BALANCES	-	-	6,237,858	144,698	6,382,556
FUND BALANCES, JULY 1, 2013	-	72,655	1,826,882	1,244,889	3,144,426
	<u>-</u>	<u>72,655</u>	<u>1,826,882</u>	<u>1,244,889</u>	<u>3,144,426</u>
FUND BALANCES, JUNE 30, 2014	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 8,064,740</u>	<u>\$ 1,389,587</u>	<u>\$ 9,526,982</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2014

ACCOUNTS:	Cash Balances <u>July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
General	\$ 9,198	\$ 4,857	\$ 4,198	\$ -
Pepsi	2,201	3,451	2,028	(3,100)
Academic Team	91	-	721	1,000
Art	106	-	-	-
Band	1,540	2,116	4,356	750
Beta Club	612	815	662	-
Cheerleaders	6,705	11,920	16,542	(40)
Choir	163	100	243	-
DECA	2,963	-	1,685	(1,211)
FBLA	79	90	54	-
FFA	4,950	11,557	12,042	-
FCCLA	260	5,605	5,567	-
Horticulture	8,057	8,054	7,101	-
Parking	3,028	1,600	2,643	-
Science/Math Club	802	-	14	-
Seniors	261	10,932	12,840	2,100
Textbooks	5,343	926	353	(750)
Vocational Foods	524	-	-	-
Yearbook	4,314	5,483	7,253	-
Spanish Club	74	-	-	-
French	197	335	532	-
Football	15,499	56,071	41,517	-
Boys Basketball	2	7,498	15,634	8,150
Girls Basketball	3,143	13,722	9,919	-
Baseball	-	300	6,333	6,050
Softball	-	476	6,302	8,250
Track	4	350	3,255	3,055
Lockers	2,593	4,195	3,812	(1,250)
Pep	485	-	-	-
JROTC	6,927	14,156	15,433	400
JROTC Paver Project	4,025	14,230	15,106	-
Teacher's Pepsi	2,982	3,396	5,660	(329)
Tennis	1,763	3,449	2,527	-
FEA	564	7,569	6,049	-
Special Events	35,102	6,509	9,078	(16,150)
Transportation	5,970	891	1,779	(1,100)
Boys Golf	5	3,806	3,020	-
Girls Golf	262	3,162	4,361	1,600
NHS	16	-	727	750
Volleyball	-	4,444	7,092	3,329
Project TLC	1,326	-	-	-
Colonel Players	816	1	53	-
Drama	2,019	2,875	2,876	-
Wrestling	97	4,452	6,225	2,200
Creative Colonels	-	1,277	2,387	1,251

Cash Balances <u>June 30, 2014</u>	Accounts Receivable June 30, <u>2014</u>	Accounts Payable June 30, <u>2014</u>	Fund Balances June 30, <u>2014</u>
\$ 9,857	\$ 325	\$ 4,019	\$ 6,163
524	447	-	971
370	-	-	370
106	-	-	106
50	-	-	50
765	-	-	765
2,043	-	1,137	906
20	-	-	20
67	-	-	67
115	-	-	115
4,465	-	1,180	3,285
298	-	-	298
9,010	-	-	9,010
1,985	-	-	1,985
788	-	-	788
453	-	-	453
5,166	-	-	5,166
524	-	-	524
2,544	-	-	2,544
74	-	-	74
-	-	-	-
30,053	-	-	30,053
16	-	-	16
6,946	-	-	6,946
17	649	666	-
2,424	-	974	1,450
154	-	143	11
1,726	-	-	1,726
485	-	-	485
6,050	-	-	6,050
3,149	-	-	3,149
389	791	-	1,180
2,685	-	-	2,685
2,084	-	2,084	-
16,383	-	140	16,243
3,982	-	-	3,982
791	-	-	791
663	-	-	663
39	-	-	39
681	-	90	591
1,326	-	-	1,326
764	-	-	764
2,018	-	198	1,820
524	-	247	277
141	-	-	141

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2014

	Cash Balances <u>July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
ACCOUNTS:				
Soccer	7	2,635	3,680	1,100
Girls Soccer	148	2,886	2,833	-
Testing	-	180	1,321	1,200
Non-Revenue Sports	17,623	7,500	2,392	(20,915)
Scholarship	200	-	-	-
Ark Club	-	930	713	-
Boys Cross Country	9	150	2,617	2,460
Girls Cross Country	3	-	1,183	1,200
Totals	<u>\$ 153,058</u>	<u>\$ 234,951</u>	<u>\$ 262,718</u>	<u>\$ -</u>

Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
62	-	-	62
201	-	-	201
59	-	-	59
1,816	-	365	1,451
200	-	-	200
217	-	-	217
2	-	-	2
20	-	-	20
<u>\$ 125,291</u>	<u>\$ 2,212</u>	<u>\$ 11,243</u>	<u>\$ 116,260</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2014

	<u>Cash Balances</u> <u>July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL All funds	\$ 59,231	\$ 138,030	\$ 133,078	\$ -
OAK GROVE ELEMENTARY SCHOOL All funds	\$ 17,007	\$ 68,233	\$ 70,917	\$ -
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL All funds	\$ 26,610	\$ 19,719	\$ 21,534	\$ -
PLEASANT VIEW ELEMENTARY SCHOOL All funds	\$ 16,485	\$ 23,745	\$ 22,239	\$ -
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL All funds	\$ 17,161	\$ 21,448	\$ 23,627	\$ -
BOSTON ELEMENTARY SCHOOL All funds	\$ 5,544	\$ 3,595	\$ 3,423	\$ -
ROCKHOLDS OPPORTUNITY CENTER All funds	\$ 11,814	\$ 331	\$ -	\$ -
WHITLEY COUNTY INTERMEDIATE SCHOOL All funds	\$ 53,177	\$ 42,906	\$ 40,424	\$ -
WHITLEY COUNTY EAST ELEMENTARY SCHOOL All funds	\$ 26,469	\$ 24,634	\$ 24,663	\$ -

<u>Cash Balances</u> <u>June 30, 2014</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2014</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2014</u>
<u>\$ 64,183</u>	<u>\$ 950</u>	<u>\$ 2,868</u>	<u>\$ 62,265</u>
<u>\$ 14,323</u>	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 13,483</u>
<u>\$ 24,795</u>	<u>\$ 49</u>	<u>\$ 363</u>	<u>\$ 24,481</u>
<u>\$ 17,991</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 17,961</u>
<u>\$ 14,982</u>	<u>\$ 28</u>	<u>\$ 1,112</u>	<u>\$ 13,898</u>
<u>\$ 5,716</u>	<u>\$ -</u>	<u>\$ 1,245</u>	<u>\$ 4,471</u>
<u>\$ 12,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,145</u>
<u>\$ 55,659</u>	<u>\$ 12</u>	<u>\$ 1,989</u>	<u>\$ 53,682</u>
<u>\$ 26,440</u>	<u>\$ 53</u>	<u>\$ 1,931</u>	<u>\$ 24,562</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER (IDEA)				
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-13	\$ 902,432	\$ 896,508*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-12	963,278	5,898*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-11	962,186	8,572*
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3800002-13	36,417	<u>36,417*</u>
Total Special Education Cluster (IDEA)				<u>947,395</u>
TITLE I, PART A CLUSTER				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002-13	2,318,975	2,318,975*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002-11	2,535,845	269*
Title I Grants to Local Educational Agencies, (Title I, Part A of the ESEA)	84.010A	3100202-11	45,688	<u>34,339*</u>
Total Title I, Part A Cluster				<u>2,353,583</u>
EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER				
Education for Homeless Children and Youth	84.196A	3990002-13	44,982	44,982
Education for Homeless Children and Youth	84.196A	3990002-12	49,317	<u>2,130</u>
Total Education for Homeless Children and Youth Cluster				<u>47,112</u>
Vocational Education – Basic Grants to States	84.048	3710002-13	56,620	51,830
Vocational Education – Basic Grants to States	84.048	4621332-13	55,500	6,324
Vocational Education – Basic Grants to States	84.048	4621232-12	2,540	2,540
Improving Teacher Quality State Grants	84.367	3230002-13	338,123	338,123
Race to the Top	84.413A	3960002-11	102,259	34,402
Twenty-First Century Community Learning Centers	84.287	3400002-13	225,000	62,237*
Twenty-First Century Community Learning Centers	84.287	3400002-12	635,000	614,273*
Twenty-First Century Community Learning Centers	84.287	3400002-11	655,500	60,304*
Fund for the Improvement of Education	84.215	6873	14,000	3,865
Fund for the Improvement of Education	84.215	6874	14,000	10,928

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Or Award</u>	<u>Federal Disbursements</u>
Rural Education	84.358B	3140002-13	76,670	76,670
Rural Education	84.358B	3140002-11	96,516	1,872
Adult Education – State Grant Program	84.002A	3654	19,075	19,019
Adult Education – State Grant Program	84.002A	3734	107,504	<u>106,753</u>
Total U.S. Department of Education				<u>\$ 4,737,230</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
WIA Jobs for America's Graduates	17.259	5884A	\$ 32,500	<u>\$ 32,500</u>
Total U.S. Department of Labor				<u>\$ 32,500</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	7760005-13	\$ 190,378	\$ 190,378*
		7760005-14	674,958	674,958*
National School Lunch Program	10.555	7750002-13	407,650	407,650*
		7750002-14	1,446,311	1,446,311*
Summer Food Service Program for Children	10.559	7690024-13	1,290	1,290*
		7740023-13	12,399	12,399*
Total Child Nutrition Cluster				<u>2,732,986</u>
EMERGENCY FOOD ASSISTANCE CLUSTER				
Emergency Food Assistance Program – non-cash	10.569	4005381	164,299	<u>164,299</u>
Total Emergency Food Assistance Cluster				<u>164,299</u>
Child and Adult Care Food Program	10.558	7800016-13	1,498	1,498
		7800016-14	8,407	8,407
		7790021-13	23,346	23,346
		7790021-14	127,684	127,684
Fresh Fruit and Vegetable Program	10.582	7720012-13	8,239	8,239
		7720012-14	39,087	<u>39,087</u>
Total U.S. Department of Agriculture				<u>\$ 3,105,546</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	2703	\$ 746	\$ 746
Congressionally Identified Awards and Projects	11.469	EF13-46	3,500	<u>3,182</u>
Total National Oceanic and Atmospheric Administration				<u>\$ 3,928</u>
<u>U.S. Department of Defense</u>				
Junior Reserve Officers' Training Corps	12.000	5044	\$ 63,978	<u>\$ 63,978</u>
Total U.S. Department of Defense				<u>\$ 63,978</u>
<u>Corporation for National and Community Service</u>				
Learn and Serve America – School and Community Based Programs	94.004	6750	\$ 3,860	<u>\$ 338</u>
Total Corporation for National and Community Service				<u>\$ 338</u>
<u>U.S. Department of Energy</u>				
State Energy Program, Recovery Act	81.041	5692	\$ 23,400	<u>\$ -</u>
Total U.S. Department of Energy				<u>\$ -</u>
<u>Appalachian Regional Commission</u>				
Appalachian Research, Technical Assistance and Demonstration Projects	23.011	6884	\$ 3,991	\$ 3,991
Appalachian Research Technical Assistance and Demonstration Projects	23.011	6883	3,410	952
Appalachian Research Technical Assistance and Demonstration Projects	23.011	6882	5,000	<u>145</u>
Total Appalachian Regional Commission				<u>\$ 5,088</u>
Total Expenditures of Federal Awards				<u>\$ 7,948,608</u>

* Denotes major program

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley 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.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SUMMARY OF AUDIT RESULTS

1. We have issued an unmodified opinion on the basic financial statements of the Whitley County School District.
2. No material weakness(es) were identified in our audit of the financial statements.
3. No significant deficiencies were identified in our audit of the financial statements.
4. No material noncompliance was identified in our audit of the financial statements.
5. No material weakness(es) were identified in our audit of internal control over major programs.
6. No significant deficiencies were noted in our audit of internal control over major programs.
7. We have issued an unmodified opinion on compliance for major programs.
8. The audit did not disclose any audit findings, which we are required to report under Section 510(a) of OMB Circular A-133.
9. The programs tested as major programs included:

	<u>CFDA</u>
TITLE I, PART A CLUSTER	
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
National School Breakfast Program	10.553
SPECIAL EDUCATION CLUSTER (IDEA)	
Special Education – Preschool Grants (IDEA, Preschool)	84.173A
Special Education – Grants to States (IDEA, Part B)	84.027A
Twenty-First Century Community Learning Centers	84.287

10. The threshold for distinguishing Types A and B programs was \$300,000.
11. Whitley County School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014

NONE

Marr, Miller & Myers, PSC

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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*

October 22, 2014

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley 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, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Marr, Miller & Myers, PSC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

Purpose of this Report

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

Marr, Miller & Myers, PSC

Certified Public Accountants

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

October 22, 2014

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Whitley 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 the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Marr, Miller & Myers, PSC

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 the District's internal control over compliance.

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

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

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

Marr, Miller & Myers, PSC

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October 22, 2014

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some items that go beyond internal control related matters that are being communicated for the benefit of management to improve operational and administrative efficiencies. Our comments and recommendations, as well as the action to be taken by the District, accompanies this letter. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. This letter does not affect our report dated October 22, 2014 on the financial statements of the Whitley County School District.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2014

1. CENTRAL OFFICE STAFF

- During the current year audit, we became aware of several central office staff employees that are intending on retiring within the next five-year period. The continuation of the District's financial affairs will be impacted, and we believe the District should start preparing for the anticipated retirements in hopes of a smooth transitional period. The experience levels of the retirees will be a challenge for the District to replace, and new trainees will be required to familiarize themselves with the accounting processes of the District.

2. SCHOOL ACTIVITY FUNDS

GENERAL COMMENTS

- The Kentucky Department of Education introduced the new Accounting Procedures for Kentucky School Activity Funds (the "Redbook"), effective July 1, 2013, which included significant revisions to previously issued guidance. District compliance with the guidance provided seeks to insure school activity funds are expended as intended. The system of safeguarding and accounting for school activity funds is dependent on the soundness and effectiveness of the District's policies and guidelines. Through student participation in school activities, there may be fees collected and fundraisers held for their group to participate in selected activities, producing a need to track the related disbursements and receipts. Implementation of the new "Redbook" requirements during this past fiscal year has been a challenge for the District, and as auditors, we will continue to assist with the learning process and to identify how to improve practices in order to fully comply in the future.
- During our audit, we inquired of various people involved with the District as to their knowledge of, or suspicions of, fraudulent activity. Of those questioned during the audit, no one noted any material fraudulent activity that they were aware of regarding the school activity funds. During our audit procedures at the individual schools, we continued to have various findings. Thus, we recommend the District review the procedures and policies in place at the school activity fund level, and assist the school principals and bookkeepers with improving those procedures if necessary.

MANAGEMENT'S RESPONSE

- Management will investigate options that will assist principals and bookkeepers in instituting stronger and more effective controls.

OAK GROVE ELEMENTARY SCHOOL

- It was noted that purchase orders are not always prepared and approved prior to items being purchased. The Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated. We recommend that purchase orders be prepared and approved prior to purchase for all disbursements.

MANAGEMENT'S RESPONSE

- District policies also require prior approval for purchases. In addition to training, a new monitoring process will be considered.
- We noted that deposits are not always made with the bank on a timely basis, primarily for ticket sales. The Redbook requires all monies to be deposited on the day collected or, if the money is collected after school business hours for evening and weekend events, on the next business day.

MANAGEMENT'S RESPONSE

- Steps have been taken to resolve this matter. Changes in staffing and training will be provided to ensure that deposits will be made in a timely manner.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT LETTER POINTS
June 30, 2014

2. SCHOOL ACTIVITY FUNDS (CONTINUED)

WHITLEY COUNTY INTERMEDIATE SCHOOL

- We noted that purchase orders are not always prepared and approved prior to items being purchased. The Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated. We recommend that purchase orders be prepared and approved prior to purchase for all disbursements.

MANAGEMENT'S RESPONSE

- District policies also require prior approval for purchases. In addition to training, a new monitoring process will be considered.

BOSTON ELEMENTARY SCHOOL

- It was noted that purchase orders are not always prepared and approved prior to items being purchased. The Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated. We recommend that purchase orders be prepared and approved prior to purchase for all disbursements.

MANAGEMENT'S RESPONSE

- District policies also require prior approval for purchases. In addition to training, a new monitoring process will be considered.

WHITLEY COUNTY CENTRAL PRIMARY

- We noted that purchase orders are not always prepared and approved prior to items being purchased. The Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated. We recommend that purchase orders be prepared and approved prior to purchase for all disbursements.

MANAGEMENT'S RESPONSE

- District policies also require prior approval for purchases. In addition to training, a new monitoring process will be considered.

WHITLEY COUNTY HIGH SCHOOL

- There were no specific findings.

WHITLEY COUNTY MIDDLE SCHOOL

- There were no specific findings.

WHITLEY COUNTY NORTH ELEMENTARY SCHOOL

- There were no specific findings.

PLEASANT VIEW ELEMENTARY SCHOOL

- There were no specific findings.

WHITLEY COUNTY EAST ELEMENTARY SCHOOL

- There were no specific findings.

ROCKHOLDS OPPORTUNITY CENTER

- There were no specific findings.