

**WILLIAMSBURG INDEPENDENT
SCHOOL DISTRICT
Williamsburg, Kentucky**

**AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Williamsburg Independent Schools
Williamsburg, Kentucky 40769

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williamsburg Independent Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages three and four and 31 and 32 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 auditing standards generally accepted in the United States of America. In my 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 24, 2014 on my consideration of the District's internal control over financial reporting and on my 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 my 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.

Barry D. Daulton, CPA, PSC

Somerset, Kentucky

October 24, 2014

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
For the year ended June 30, 2014
(Unaudited)

Management of the Williamsburg Independent School District (Board) provides to readers and users of the accompanying financial statements an analysis and overview presentation of the Board's financial activities for the year ended June 30, 2014. Readers and users are encouraged to consider the information presented herein in conjunction with the audited financial statements and supplementary information contained within this report.

Financial Highlights

General revenues totaled \$5.85 million, representing 80% of all revenues. General revenues consist primarily of tax assessments and state funding allocations. Program specific revenues of \$1.07 million accounted for the remaining revenues and include charges for services, sales, grants, contributions, etc.

An increase of \$77,000 in total governmental assets is due primarily to decreased operating expenses.

Of the total general fund revenue, approximately \$1,009,000 was received in the form of local taxation and investment income.

District-Wide Financial Statements

The accompanying district-wide financial statements are designed to provide readers and users with a generally broad descriptive overview of the Board's financial activities. The statements are similar in nature to private-sector (non-governmental) statements.

The Statement of Net Position contains information on all Board assets and liabilities. The difference between these two amounts is reported as net position. When considered historically, increases or decreases in net position may provide a general indication of overall improvement or deterioration of the Board's financial condition.

In the Statement of Activities, changes in net position for the most recent fiscal year are presented.

Outlined in these financial statements are functions of the Board which are supported by local taxation and governmental activities. Governmental activities include, but are not limited to, instruction, support services, plant operation and maintenance and student transportation.

Fund Financial Statements

Fund financial statements present a related group of accounts which maintain resources for a specific activity. The MUNIS system is a mandated uniform system and chart of accounts used by all Kentucky public school districts. Use of fund accounting ensures compliance with finance-related statutory requirements. Board funds are separated into three categories; governmental, proprietary and fiduciary. Fiduciary (or trust) funds, commonly known as activity funds, aid in student education and support. Fiduciary funds are support by outside activities such as fund-raising and ticket sales. There are no proprietary funds other than food service operations. Governmental funds report all other Board activities.

Notes to Financial Statements

Additional information necessary to better understand the district-wide financial statements is presented in the notes to financial statements on pages 17 - 28.

District-Wide Financial Analysis and Budgetary Implications

The financial statements contained herein present an overall picture of limited financial resources operating within budgetary constraints. Due to limited revenues with which to fund all required operating expenditures, the Board has minimal cash reserves.

Condensed Comparative Data

	<u>FY 2014</u>	<u>FY 2013</u>
General Fund revenues	\$ 5,845,539	\$ 5,804,825
General Fund expenses	5,764,716	6,074,296
Cash (district-wide)	(43,970)	(199,743)
Land, buildings and fixed assets (net)	7,122,157	7,413,200
Bond obligations	3,725,367	3,916,286
Fund balance	43,535	(133,553)

Financial Management

Interested readers and users, taxpayers, citizens and creditors are encouraged to contact Board administration with questions regarding this report or requests for additional information. The comments should be directed to Dennis W. Byrd, Superintendent or David Higginbotham, School Business Manager at (606) 549-6044. The District mailing address is 1000 Main Street, Williamsburg, Kentucky 40769.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - DISTRICT WIDE
June 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ (14,228)	\$ (29,562)	\$ (43,790)
Accounts receivable	74,434	42,320	116,754
Inventory		5,018	5,018
Capital assets:			
Land	572,677	-	572,677
Land improvements	210,282	-	210,282
Other capital assets, net of depreciation	6,338,746	452	6,339,198
TOTAL ASSETS	\$ 7,181,911	\$ 18,228	\$ 7,200,139
LIABILITIES			
Accounts payable	13,913		13,913
Deferred revenues	2,758		6,750
Long-term liabilities			
Due or payable within one year			
Bonds payable	190,287	-	190,287
Due or payable after one year			
Bond obligations	3,535,080	-	3,535,080
TOTAL LIABILITIES	3,742,038	-	3,742,038
NET POSITION			
Net investment in capital assets	3,396,338	452	3,396,790
Restricted for:			
Inventories	-	5,018	5,018
Purchase obligations	5,455		5,455
Unrestricted	38,080	12,758	50,838
TOTAL NET POSITION	\$ 3,439,873	\$ 18,228	\$ 3,458,101

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTR	CAPITAL GRANTS/ CONTR	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities							
Instructional	\$ 4,018,032				\$ (4,018,032)		\$ (4,018,032)
Student support services	390,954				(390,954)		(390,954)
Staff support services	277,185				(277,185)		(277,185)
District administration	498,254				(498,254)		(498,254)
School administration	330,831				(330,831)		(330,831)
Business support services	164,670				(164,670)		(164,670)
Plant operation and maintenance	1,007,956				(1,007,956)		(1,007,956)
Student transportation	337,121				(337,121)		(337,121)
Community service	79,513				(79,513)		(79,513)
Facilities acquisition/ construction	8,421				(8,421)		(8,421)
Debt service	160,580		427,786		267,206		267,206
Total governmental activities	7,273,517		427,786		(6,845,731)		(6,845,731)
Business-type activities							
Food service	608,172	91,354	511,530			(5,288)	(5,288)
Total business-type activities	608,172	91,354	511,530	427,786		(5,288)	(5,288)
Total school district					(6,845,731)		(6,851,019)
General revenues:							
Taxes					999,931		999,931
State aid - formula grants					5,726,143		5,726,143
Investment earnings					9,146		9,146
Miscellaneous					187,801	(5,767)	182,034
Total general and special revenues					6,923,021	(5,767)	6,917,254
Change in net position					77,290	(11,055)	66,235
Net position - July 1, 2013					3,362,583	29,283	3,391,866
Net position - June 30, 2014					\$ 3,439,873	\$ 18,228	\$ 3,458,101

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2014

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ (21,839)	\$ 2,758	\$ 4,853	\$ (14,228)
Accounts receivable	74,434	-	-	74,434
TOTAL ASSETS	<u>\$ 52,595</u>	<u>\$ 2,758</u>	<u>\$ 4,853</u>	<u>60,206</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 13,913	\$ -	\$ -	\$ 13,913
Deferred revenues	-	2,758	-	2,758
TOTAL LIABILITIES	13,913	2,758	-	16,671
FUND BALANCE				
Assigned for:				
Purchase obligations	5,455	-	-	5,455
Unassigned	33,227	-	4,853	38,080
TOTAL FUND BALANCES	<u>38,682</u>	<u>-</u>	<u>4,853</u>	<u>43,535</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 52,595</u>	<u>\$ 2,758</u>	<u>\$ 4,853</u>	<u>\$ 60,206</u>

The accompanying notes are an integral part of these statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE DISTRICT-WIDE STATEMENTS OF NET POSITION
June 30, 2014**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total governmental fund balance		\$	43,535
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets			12,380,737
Accumulated depreciation			(5,259,032)
			7,121,705
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long term liabilities at year end consist of:			
Bonds payable and note payable			(3,725,367)
			(3,725,367)
Total net position - governmental		\$	3,439,873

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2014

	GENERAL FUND	SPECIAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues				
Taxes	\$ 999,931	\$ -	\$ 84,146	\$ 1,084,077
Earnings on investments	9,146	-	-	9,146
State sources	4,642,356	389,094	343,640	5,375,090
Federal sources	6,305	688,388	-	694,693
Other sources	187,801	-	-	187,801
Total revenues	5,845,539	1,077,482	427,786	7,350,807
Expenditures				
Instructional	3,106,191	905,808	-	4,011,999
Student support services	390,954	-	-	390,954
Staff support services	141,003	135,510	-	276,513
District administration	498,009	-	-	498,009
School administration	330,831	-	-	330,831
Business support services	164,296	-	-	164,296
Plant operation/maintenance	776,777	-	-	776,777
Student transportation	310,063	5,891	-	315,954
Community service	-	79,513	-	79,513
Debt service	46,592	-	374,044	420,636
Total expenditures	5,764,716	1,126,722	374,044	7,265,482
Excess (deficit) of revenues over expenditures	80,823	(49,240)	53,742	85,325
Other financing sources (uses):				
Operating transfers in	73,742	49,240	283,563	406,545
Indirect cost transfer	17,585	-	-	17,585
Sale of land and improvements	43,550	-	-	43,550
Loss compensation	10,628	-	-	10,628
Operating transfers out	(49,240)	-	(337,305)	(386,545)
Total other financing sources (uses)	96,265	49,240	(53,742)	91,763
Net change in fund balances	177,088	-	-	177,088
Fund balances July 1, 2013	(138,406)	-	4,853	(133,553)
Fund balances June 30, 2014	\$ 38,682	\$ -	\$ 4,853	\$ 43,535

The accompanying notes are an integral part of these statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

June 30, 2014

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

Net changes - governmental funds:	\$ 177,088
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>	
Depreciation expense	(259,670)
Acquisitions and retirements, net	(30,747)
<p>Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>	
Principal paid	190,919
Changes in net position - governmental funds	\$ 77,290

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>CAPITAL OUTLAY</u>	<u>BUILDING FUND</u>	<u>CONSTRUCTION FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 4,853	\$ 4,853
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,853</u>	<u>\$ 4,853</u>
LIABILITIES					
Accounts payable	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Unassigned	-	-	-	4,853	4,853
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,853</u>	<u>4,853</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,853</u>	<u>\$ 4,853</u>

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2014

	<u>CAPITAL OUTLAY</u>	<u>BUILDING FUND</u>	<u>DEBT SERVICE</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL NON-MAJOR GOV'T FUNDS</u>
REVENUES					
Taxes	\$ -	\$ 84,146	\$ -	\$ -	\$ 84,146
State sources	72,931	180,228	90,481	-	343,640
Total revenues	72,931	264,374	90,481	-	427,786
EXPENDITURES					
Debt service	-	-	374,044	-	374,044
Total expenditures	-	-	374,044	-	374,044
Excess (deficit) of revenues over expenditures	72,931	264,374	(283,563)	-	53,742
Other financing sources (uses):					
Operating transfers in	-	-	283,563	-	283,563
Operating transfers out	(72,931)	(264,374)	-	-	(337,305)
Total other financing sources (uses)	(72,931)	(264,374)	283,563	-	(53,742)
Net change in fund balance	-	-	-	-	-
Fund balance July 1, 2013	-	-	4,853	-	4,853
Fund balance June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,853</u>	<u>\$ -</u>	<u>\$ 4,853</u>

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	FOOD SERVICE	TOTAL
ASSETS		
Current assets		
Cash and cash equivalents	\$ (29,562)	\$ (29,562)
Accounts receivable	42,320	42,320
Inventories for consumption	5,018	5,018
Total current assets	17,776	17,776
Noncurrent assets		
Invested in capital assets, net of depreciation	452	452
TOTAL ASSETS	\$ 18,228	\$ 18,228
LIABILITIES		
	\$ -	\$ -
TOTAL LIABILITIES	-	-
NET POSITION		
Invested in capital assets	452	452
Restricted for:		
Inventories	5,018	5,018
Unrestricted	12,758	12,758
TOTAL NET POSITION	\$ 18,228	\$ 18,228

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2014

	FOOD SERVICE	TOTAL
OPERATING REVENUES		
Lunchroom sales	\$ 85,657	\$ 85,657
Other operating revenues	5,697	5,697
	<hr/>	<hr/>
Total operating revenues	91,354	91,354
 OPERATING EXPENSES		
Food service operations	608,172	608,172
Total operating expenses	608,172	608,172
	<hr/>	<hr/>
Operating income (loss)	(516,818)	(516,818)
 NONOPERATING REVENUES (EXPENSES)		
Federal grants	418,001	418,001
State grants	80,882	80,882
Donated commodities	12,647	12,647
	<hr/>	<hr/>
Total nonoperating revenues	511,530	511,530
 Change in net position, operating	(5,288)	(5,288)
Operating transfers (out)	(17,585)	(17,585)
Prior period adjustment (see note M)	11,818	11,818
Change in net position	(11,055)	(11,055)
	<hr/>	<hr/>
Net position July 1, 2013	29,283	29,283
	<hr/>	<hr/>
Net position June 30, 2014	\$ 18,228	\$ 18,228
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended June 30, 2014

Cash flows from operating activities:	
Cash received from lunchroom sales	\$ 85,657
Cash received from other activities	5,697
Cash received from federal and state reimbursements	509,840
Cash payments to employees for services	(230,599)
Cash payments to suppliers	(383,344)
Cash transfers	<u>(17,585)</u>
Net cash provided by operating activities	<u>(30,334)</u>
Net increase in cash equivalents	(30,334)
Cash and cash equivalents July 1, 2013	<u>772</u>
Cash and cash equivalents June 30, 2014	<u><u>\$ (29,562)</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Change in net position	\$ (11,055)
Depreciation	326
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase in accounts payable	(5,771)
Increase in receivables	<u>(13,834)</u>
Net cash provided by operating activities	<u><u>\$ (30,334)</u></u>

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FIDUCIARY FUNDS
for the year ended June 30, 2014

	ACTIVITY FUNDS
REVENUES	
Revenues from student activities	\$ 226,957
Total revenues	226,957
EXPENSES	
Student activities	274,673
Change in net position	(47,716)
Net position July 1, 2013	47,744
Net position June 30, 2014	\$ 28

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 June 30, 2014

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 28</u>
TOTAL ASSETS	<u><u>28</u></u>
LIABILITIES	
Total liabilities	<u>-</u>
TOTAL NET POSITION	<u><u>\$ 28</u></u>

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Williamsburg Independent 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 Board itself such as booster organizations, Parent-Teacher Associations, etc.

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

The accounting policies of the Williamsburg Independent School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

District-Wide and Fund Financial Statements

The statement of net position and the statement of activities are district-wide financial statements. They report information on all of the District's nonfiduciary activities with interfund activities removed. Governmental activities include programs supported primarily by taxes, state funding and allocations and other intergovernmental revenues.

Fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary and fiduciary. Because the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description along with the restrictions associated with each class of funds are as follows:

I. Governmental Fund Types

- A. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balance are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report. Accounts receivable in the Special Revenue Fund represent amounts due to the District through various grant agreements. Conversely, deferred revenues represent funds received by the District not yet spent under grant agreements.
- C. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the Kentucky School Facilities Construction Commission's funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. The Technology Fund accounts for the Kentucky Education Technology System (KETS) allocation and local district matching funds restricted for the purchase of technology consistent with the District's approved technology plan.

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts for in-kind contribution of commodities from the USDA are recorded only in the proprietary Statement of Revenues, Expenses, and Changes in Fund Balance.

IV. Fiduciary Fund Type

The Activity Fund consists of Agency funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

V. Property Taxes

The District's property taxes are levied each year on the assessed value listed as of the prior January 1 for all real and business tangible property located in the District. The assessed value of the certified roll, upon which the levy for the 2013-2014 fiscal year was based, was \$151,645,535 for real property and \$15,037,624 for business tangible property. The District collects its own taxes.

Property taxes collected are recorded as revenues in the fund for which they were levied.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The Statement of Net Position contains information on all Board assets and liabilities. The difference between these two amounts is reported as net assets. When considered historically, increases or decreases in net assets may provide a general indication of overall improvement or deterioration of the Board's financial condition.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. During the budgetary process, revenues are projected in cash amounts to be received and expenditures are projected in cash amounts to be paid. Under GAAP, revenues and expenditures are recorded when susceptible to accrual.

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Funds which record inventory using the accrual basis of accounting.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

Encumbrances

Encumbrances are reported as a reservation of the fund balance. They are not reported as disbursements until paid.

Payroll

District employees are paid twice each month throughout the calendar year. Payroll checks for the summer months were processed prior to June 30, 2014. The cash balances on June 30, 2014 have been reduced by the outstanding payroll checks.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances

Restricted fund balances arise from external constraints (debt covenants, regulations, constitutional provisions, etc.) Committed fund balances are imposed by formal actions of the Board. Assigned fund balances are intended by the Board to be used for specific purposes, but are not formally restricted or committed. Unassigned fund balances are the residual amounts that are neither restricted, committed nor assigned for any specific purpose.

NOTE B - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$ 296,038. Carrying amounts do not reflect deposits in transit or outstanding checks. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2014, exclusive of activity funds, consisted of the following:

First State Bank	Operating Account	\$ (50,443)
First State Bank	Payroll Account	1,500
Community Trust Bank	Debt Service	4,853
Petty cash (tax collection)		<u>300</u>
		\$ (43,790)

NOTE C - BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Williamsburg Independent School District Finance Corporation and the Kentucky School Facilities Construction Commission.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE C - BONDED DEBT AND LEASE OBLIGATIONS, continued

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

In 1993, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

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 obligations of the District at June 30, 2014 for debt service (principal and interest) are detailed on page 27.

On July 1, 2013 indebtedness for the District totaled \$3,916,286. After timely principal and interest payments, indebtedness at June 30, 2014 totaled \$3,725,367.

KISTA REMARKETING ISSUE

In September 1999, the District accepted an offer of assistance from the School Facilities Construction Commission (SFCC). The agreement allowed the District to benefit from a \$490,000 remarketing bond issue whereby the District received \$200,000, the proceeds of which were used for roof replacement of the school building. The entire principal and interest debt services amounts are to be borne by SFCC until full payment in 2019.

JUNE 2005 BOND ISSUE

The Williamsburg Independent School District Finance Corporation issued bonds totaling \$155,000 in June 2005. The bond proceeds funded renovations to the alternative school building. The entire cost of the bonds is to be borne by the Kentucky School Facilities Construction Commission.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 25% of the value of accumulated sick leave. One-half of this amount is reserved each year. At June 30, 2014, this amount has not been accrued because the amount is immaterial to the financial statements.

NOTE E - RETIREMENT PLANS

Pension Plan

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

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

Contribution rates are established by KRS. Members participating prior to July 1, 2008 are required to contribute 9.855% of their salaries to KTRS. Members hired after July 1, 2008 must contribute an additional 1% to the medical insurance fund. The Commonwealth of Kentucky and employers are required to contribute 13.105% of salaries for members hired prior to July 1, 2008. For members hired after July 1, 2008 the matching rate is 14.106%. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

In addition to the pension benefits described above, KRS 16.675 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

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014

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, 1.5% of the gross annual payroll of members before July 1, 2008 is contributed. One-half of this amount is derived from members contributions and one-half from state appropriation. Members after July 1, 2008 contribute an additional 1.0% to the medical insurance fund. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employees' retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 7.34% of the employees' total compensation subject to contribution. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

Historical trend information showing KTRS and CERS progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2014 comprehensive annual financial reports. As the Board is only one of several employers participating in the Plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the Plan assets. However, as KTRS is considered to be substantially underfunded, this will likely contribute to increasing financial difficulties for all participating districts.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE F - CONTINGENCIES

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

NOTE G - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, 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 worker's compensation insurance.

NOTE H - LUNCHROOM ACCOUNT/COMMODITIES

The Lunchroom Account keeps a current monthly inventory of the school in the Food Service Director's office at the Williamsburg Independent Board of Education. The Food Service Director has timely filed all required reports and requests for reimbursement.

NOTE I - 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. The District has obtained insurance for workers compensation, errors and omissions, and general liability coverage.

Past and present members of Kentucky School Boards Insurance Trust (KSBIT) were required to pay additional, retroactive premiums to cover a \$60 million deficit in the Trust's general liability and workers' compensation pools. The District opted to pay their assessment through a KISTA bond issue. The District's first installment is due in August 2015 and will be paid in ten annual payments.

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.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2014**

NOTE J - DEFICIT OPERATING/FUND BALANCES

At June 20, 2014, the following funds experienced a current year deficit of expenditures over revenue:

Special revenue	\$ (49,240)
Food service	\$ (5,288)

NOTE K - ON BEHALF PAYMENTS

The Commonwealth of Kentucky indirectly contributes fund of varying benefits to the District. These funds, known as "on-behalf payments" are represented as revenue from state sources in the appropriate financial statements. These funds, totaling \$ 1,220,238 for the year ended June 30, 2014, are not budgeted by the District. Corresponding amounts are entered to reflect the appropriate expense for the contributed funds, including but not limited to retirement, insurance and other benefits.

NOTE L - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is presented on the page 29. Capital assets are depreciated over their respective useful lives, which currently vary from five to forty years.

NOTE M - PRIOR PERIOD ADJUSTMENT

During completion of current year field work, an error was discovered in the food service fund in regards to prior year accounts receivable. Correction of this error resulted in an adjustment to the fund balance in the amount of \$11,818. This amount is immaterial to the food service fund and was corrected in the current year.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
June 30, 2013

Year Ending June 30	2010 Series		
	Principal	Interest*	Total
2015	190,287	85,988	276,275
2016	190,512	83,895	274,407
2017	194,485	81,354	275,839
2018	198,342	78,433	276,775
2019	198,063	75,056	273,119
2020	203,068	71,103	274,171
2021	206,361	66,668	273,029
2022	210,515	61,916	272,431
2023	218,515	56,842	275,357
2024	222,384	51,441	273,825
2025	225,079	45,716	270,795
2026	232,353	39,671	272,024
2027	235,215	33,262	268,477
2028	238,639	26,531	265,170
2029	245,890	19,440	265,330
2030	256,046	11,949	267,995
2031	259,613	4,061	263,674
Totals	<u>\$ 3,725,367</u>	<u>\$ 893,325</u>	<u>\$ 4,618,692</u>

* Interest paid by the District on the 2010 Series is net of all federal rebates.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

CAPITAL ASSET NOTE DISCLOSURE

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 782,959	\$ -		\$ 782,959
Technology equipment	680,909	-		680,909
Buildings and improvements	10,101,512	2,200	(50,000)	10,053,712
Vehicles	508,266	-	-	508,266
General equipment	349,358	6,221	(687)	354,892
Totals at historical cost	12,423,004	8,421	(50,687)	12,380,738
Less accumulated depreciation for:				
Land and improvements	207,614	1,518		209,132
Buildings and improvements	3,360,430	227,187	(10,833)	3,576,784
Technology equipment	680,609	-	-	680,609
Vehicles	460,270	22,042	-	482,312
General equipment	301,960	8,923	(687)	310,196
Total accumulated depreciation	5,010,883	259,670	(11,520)	5,259,033
GOVERNMENTAL ACTIVITIES CAPITAL NET	\$ 7,412,121	\$ 251,249	\$ (62,207)	\$ 7,121,705
PROPRIETARY ACTIVITIES				
Technology equipment	6,698	-	-	6,698
General equipment	85,828	-	-	85,828
Totals at historical cost	92,526	-	-	92,526
Less accumulated depreciation for:				
Technology equipment	6,698	-	-	6,698
General equipment	85,049	327	-	85,376
Total accumulated depreciation	91,747	327	-	92,074
PROPRIETARY ACTIVITIES CAPITAL NET	\$ 779	\$ 327	-	\$ 452

DEPRECIATION EXPENSE CHARGES TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$ 6,033
Staff support services	672
District administration	245
Business support services	374
Plant operation/maintenance	231,179
Student transportation	21,167
Total	\$ 259,670

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS AND DISBURSEMENTS
ACTIVITY FUND
for the year ended June 30, 2014**

<u>Account</u>	<u>Beginning Cash 7/1/2013</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Ending Cash 6/30/2014</u>
Bookstore	\$ 51	\$ 60,840	\$ 60,864	27
Faculty lounge	2,414	1,381	3,795	-
Vending - administration	162	102	264	-
Elementary counselor	465	55	520	-
Speech therapist	160	110	270	-
Elementary incentive	157	-	157	-
Principal K-12	6,504	7,092	13,596	-
Secondary counselor	3,167	720	3,887	-
JF Track/CC	170	-	170	-
Athletics - Gate	34	35,503	35,537	-
Football fundraisers	2,925	3,829	6,754	-
Boys basketball	89	1,046	1,135	-
Girls basketball	-	2,273	2,273	-
Elementary track	115	-	115	-
Cross country	1,230	4,482	5,712	-
Boys varsity cheerleading	3,037	10,265	13,302	-
Athletic training	-	1,300	1,300	-
Girls golf	3	100	103	-
MS Girls softball	2,559	325	2,884	-
MS Cheerleading	461	442	903	-
MS Girls basketball	440	5,527	5,967	-
Little League cheerleading	-	1,815	1,815	-
Boys golf	123	1,350	1,473	-
Tennis team	273	-	273	-
MS/HS boys basketball	1,436	10,590	12,026	-
Little League Football	739	2,075	2,814	-
Poster club	268	15	283	-
Art club	22	12	34	-

Account	Beginning Cash 7/1/2013	Receipts	Expenses	Ending Cash 6/30/2014
Beta club	-	440	440	-
First Priority	-	482	482	-
Home Ed Fundraiser	-	766	766	-
Jackets for Christ	361	-	361	-
FBLA	20	-	20	-
UNITE elementary	172	-	172	-
STLP	35	-	35	-
Student council 6 - 8	806	38	844	-
Teen leadership	3	-	3	-
TLC	2,062	4,616	6,678	-
Academic club	1,353	187	1,540	-
Band	107	2,330	2,437	-
Choir	2,015	5,319	7,334	-
Journalism	290	-	290	-
Library - Fines & books	560	8,186	8,746	-
Field trips	1,761	3,039	4,800	-
LJ Preschool	66	2,085	2,151	-
Senior class	2	31,882	31,884	-
Junior class	418	8,338	8,756	-
WISD Yearbook	9,556	4,964	14,520	-
WISD Green Team	31	-	31	-
FRC Christmas	12	3,036	3,048	-
FRC	1,110	-	1,110	-
Annual totals	<u>\$ 47,744</u>	<u>\$ 226,957</u>	<u>\$ 274,674</u>	<u>\$ 27</u>

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR GENERAL FUND
for the year ended June 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE W/FINAL BUDGET POSITIVE (NEGATIVE)
Revenues			
Taxes	\$ 976,267	\$ 999,931	\$ 23,664
Other local sources	5,500	9,146	3,646
State sources	3,455,442	4,642,356	1,186,914
Federal sources	4,800	6,305	1,505
Other sources	69,926	187,801	117,875
Total revenues	4,511,935	5,845,539	1,333,604
Expenditures			
Instructional	2,452,915	3,106,191	(653,276)
Student support services	306,314	390,954	(84,640)
Staff support services	150,371	141,003	9,368
District administration	470,632	498,009	(27,377)
School administration	270,570	330,831	(60,261)
Business support services	135,942	164,296	(28,354)
Plant operation/maintenance	671,943	776,777	(104,834)
Student transportation	204,910	310,063	(105,153)
Debt service	26,592	46,592	(20,000)
Total expenditures	4,690,189	5,764,716	(1,074,527)
Excess of revenues over expenditures	(178,254)	80,823	259,077
Operating transfers in	55,545	73,742	18,197
Indirect cost transfer	28,360	17,585	(10,775)
Sale of land and improvements	290,449	43,550	(246,899)
Loss compensation	-	10,628	10,628
Operating transfers out	(49,988)	(49,240)	748
Total other financing sources (uses)	324,366	96,265	(228,101)
Net change in fund balance	146,112	177,088	30,976
Fund balance July 1, 2013	146,112	(138,406)	(284,518)
Fund balance June 30, 2014	\$	\$ 38,682	\$ 5,535

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON - SPECIAL REVENUE
for the year ended June 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
State sources	\$ 386,765	\$ 389,094	\$ 2,329
Federal sources	694,299	688,388	(5,911)
Total revenues	1,081,064	1,077,482	(3,582)
EXPENDITURES			
Instructional	906,314	905,808	506
Staff support services	140,485	135,510	4,975
Student transportation	7,433	5,891	1,542
Community services	76,820	79,513	(2,693)
Total expenditures	1,131,052	1,126,722	4,330
Excess of expenditures over revenue	(49,988)	(49,240)	748
Fund transfers	49,988	49,240	(748)
Net increase (decrease) in fund balance	-	-	-
Fund balance July 1, 2013	-	-	-
Fund balance June 30, 2014	\$ -	\$ -	\$ -

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
Williamsburg, Kentucky

BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
June 30, 2014

BOARD MEMBERS

Dr. John Jeffries, chairman

Roger Faulkner, vice chairman

Kim Williams

Allan W. Steely

Kim B. White

ADMINISTRATIVE PERSONNEL

Dennis W. Byrd, Superintendent and Secretary to the Board

Loren Connell, Director of Instruction and Assessment

David Higginbotham, School Business Manager

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Passthrough/ MUNIS</u>	<u>Current Year Expenses</u>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster (Cluster 1)			
IDEA-B Basic	84.027	3374 *	\$ 148,897
IDEA-B Preschool	84.173A	3434	7,769
Title I	84.010	3104	450,530
Title I-C	84.048	3484	2,987
Teacher Quality	84.173A	4014 *	63,935
Rural Education Achievement	84.358B	3504	14,170
Total Special Education Cluster			<u>688,288</u>
 U.S. Department of Agriculture			
Passed through Kentucky Department of Education			
Child Nutrition Cluster (Cluster 2)			
National School Breakfast Program	10.553	7760005 *	127,527
National School Lunch Program	10.555	7750002 *	270,996
Summer Feeding	10.559	n/a	19,478
Total Child Nutrition Cluster			<u>418,001</u>
Passed through Kentucky Department of Agriculture			
Emergency Food Assistance Program (Commodities)		n/a	12,647
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 1,118,936</u></u>

*Audited as a major program under the requirements of Circular A-133

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting, which is the same basis used in the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133.

Pass-through numbers were not provided for all programs.

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The value of federal awards expended in the form of non-cash assistance is \$ 12,647.

Clusters:

- 1) Special Education Cluster
- 2) Child Nutrition Cluster

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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**

Kentucky State Committee for School District Audits
Members of the Board of Education
Williamsburg Independent Schools
Williamsburg, Kentucky 40769

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with *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, and Appendix III to the Independent Auditor's Contract - Electronic Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williamsburg Independent Schools as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued my report thereon dated October 24, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In addition, the results of my 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*. There were additional matters communicated to the auditee in the management letter.

Purpose of this Report

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

Barry D. Daulton, CPA, PSC

Somerset, Kentucky
October 24, 2014

BARRY D. DAULTON, CPA, PSC

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Williamsburg Independent Schools
Williamsburg, Kentucky 40769

Report on Compliance for Each Major Federal Program

I have audited the Williamsburg Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements, Appendix II to the Independent Auditor's Contract - State Audit Requirements and Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards and OMB Circular A-133 require that I 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 I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my 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

The 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 my audit of compliance, I 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, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Barry D. Daulton, CPA, PSC

Somerset, Kentucky
October 24, 2014

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Williamsburg Independent School District.
2. There are no material weaknesses identified and no significant deficiencies identified that are not considered material weaknesses. There is no noncompliance noted that is material to financial statements.
3. There are no findings or questioned costs reported in the audit of the financial statements; there are no findings that are required to be reported under section 510(a) of Circular A-133.
4. No instances of noncompliance material to the financial statements of Williamsburg Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Williamsburg Independent School District expresses an unmodified opinion on all major federal programs.
6. Williamsburg Independent School District does not qualify as a low-risk auditee.
7. The programs tested as major programs included: IDEA B Basic (CFDA 84.027), National School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555) and Teacher Quality (CFDA 84.173A).
8. The threshold for distinguishing Type A and Type B programs was \$300,000.

CURRENT YEAR FINDINGS RELATED TO FINANCIAL STATEMENTS

None

CURRENT FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014**

There are no prior audit findings.

BARRY D. DAULTON, CPA, PSC

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MANAGEMENT LETTER

Superintendent and Members of the Board of Education
Williamsburg Independent School District
Williamsburg, Kentucky 40769

In planning and performing my audit of the financial statements of Williamsburg Independent School District for the year ended June 30, 2014, I considered the District's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during my audit, I became aware of some matters that are opportunities to strengthen internal controls and operate in a more efficient manner.

Current Year Conditions

Condition 1:

Statement of Condition: There are numerous transactions within the Activity Fund that lack proper documentation and/or authorization.

Criteria for Condition: Activity Fund Clerk does not procure approvals from the appropriate level before initiating transactions; there are also numerous receipt items that lack appropriate documentation.

Effect of the Condition: Activity Fund receipts and expenditures are disorganized and difficult to examine.

Recommendation: The District must adhere to Red Book procedures for all activity funds.

Comment: Management has already taken appropriate steps to remedy the situation.

I have reviewed the status of the management comments from the previous year. They have been appropriately addressed.

I have reported on the District's internal control structure in my report dated October 24, 2014. This letter does not affect my report dated October 24, 2014 on the financial statements of Williamsburg Independent School District.

This report is intended solely for the information and use of the Board and management of Williamsburg Independent School District.

Sincerely,

Barry D. Daulton, CPA, PSC