

WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 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 on pages 7 through 12 and budgetary comparison information on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 3, 2014

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

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

As management of the Williamstown Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance for the District was \$1,768,313.

The General Fund had \$6,755,961 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$7,080,314 in General Fund expenditures. This includes on-behalf payments.

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

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

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The assesment for Workers Compensation is \$56,026. The District has chosen to pay 25% down and the remaining in four equal payments. The assessment for Property and Liability is \$46,569. The District has chosen to pay 40% down and the remaining in two equal payments.

The District filed a capital funds request and received KDE approval to use those monies to pay for the District's property insurance at the rate of \$32,944, and KISTA bus payments of \$36,539.

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

The District completed the building project to repair/replace portions of the elementary roof and the Gym I roof.

The District approved a \$10,000 per year band instrument replacement schedule.

The District surplused 6 school buses and sold them to the highest bidder.

The Board reviewed the student out-of-district tuition and made no changes to it.

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

The District replaced inoperable security cameras and purchased some additional cameras.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

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

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2.3 million as of June 30, 2014.

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

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

Net position for the period ending June 30, 2013 and 2014

2014 District-wide net position compared to 2013 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets	\$14,491	\$15,292	\$1,204	\$1,317	\$15,695	\$16,609
Liabilities	\$12,024	\$12,907	\$0	\$30	\$12,024	\$12,937
Deferred Inflows of Resources	\$158	\$78	\$0	\$0	\$158	\$78
Investment in capital assets (net of debt)	\$1,307	\$1,488	\$1,187	\$1,267	\$2,494	\$2,755
Restricted	166	355	17	20	183	375
Unrestricted	<u>836</u>	<u>464</u>	<u>0</u>	<u>0</u>	<u>836</u>	<u>464</u>
Total Net Position	\$2,309	\$2,307	\$1,204	\$1,287	\$3,513	\$3,594

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$341,995 in contingency, which is 4.8 percent.

Comments on Budget Comparisons

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

	Changes in Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Local Revenue Sources	\$1,899	\$1,799	\$121	\$126	\$2,020	\$1,925
State Revenue Sources	6,254	6,702	60	62	6,314	6,764
Federal Revenue Sources	1,012	1,110	332	346	1,344	1,456
Investments	<u>22</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>25</u>
Total Revenues	9,187	9,636	513	534	9,700	10,170
Expenses						
Instruction	4,928	5,166			4,928	5,166
Student Support Services	387	423			387	423
Instructional Support	656	630			656	630
District Administration	366	511			366	511
School Administration	505	473			505	473
Business Support	196	244			196	244
Plant Operations	627	588			627	588
Student Transportation	516	527			516	527
Facilities Acquisition & Construction	261	0			261	0
Community Support	85	111			85	111
Food Service	67	15	595	680	662	695
Debt Service	<u>1,155</u>	<u>1,172</u>			<u>1,155</u>	<u>1,172</u>
Total Expenses	9,749	9,860	595	680	10,344	10,540
Capital Contribution			0	135	0	135
Loss on Assets			(3)		(3)	0
Bond/Capital Lease proceeds	43	217			43	217
Transfers	(3)	(68)	3	68	0	0
Change in Net Position	(522)	(75)	(82)	57	(604)	(18)
Beginning Net Position	<u>1,771</u>	<u>1,846</u>	<u>1,286</u>	<u>1,229</u>	<u>3,057</u>	<u>3,075</u>
Ending Net Position	\$1,249	\$1,771	\$1,204	\$1,286	\$2,453	\$3,057

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

INFRASTRUCTURE

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

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

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$1,505	\$6,686	\$7,080	\$54	\$1,165
Special Revenue	\$0	\$1,390	\$1,325	\$13	\$78
Capital Outlay	\$0	\$80	\$0	(\$80)	\$0
Building	\$0	\$663	\$0	(\$663)	\$0
Construction	\$266	\$0	\$260	\$0	\$6
Debt Service	\$0	\$411	\$1,085	\$674	\$0

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

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$19,990	\$355	\$599	\$19,746
Accumulated Depreciation	\$6,578	\$720	\$581	\$6,717
Business-Type				
Capital Assets	\$1,605	\$0	\$15	\$1,590
Accumulated Depreciation	\$339	\$76	\$11	\$404
Bonds Payable	\$11,923	\$0	\$661	\$11,262
Capital Leases Payable	\$591	\$43	\$175	\$459

CURRENT ISSUES

The District plans to set property tax rates at a rate of 89.9 which is 1.5 higher than the previous year's rate.

The District has hired an additional Response to Intervention teacher to serve the Junior High School.

The District has gone from a .8 Agriculture teacher to 1 FTE.

The District has purchased wireless infrastructure for the Jr./Sr. High School shifting what was there to the elementary.

The District is beginning a renovation building project to include safety improvements and site work.

The District has given step and/or rank salary increases, as well as, across the board 1% for all employees.

The District has received a grant which will provide an elementary guidance counselor.

The current elementary/junior high guidance counselor is retiring and is not being replaced.

The District has purchased a new library cataloging software system.

The District has purchased a site license for Apex, an on-line curriculum delivery software program.

The District needs to update some of the custodial equipment such as vacuums, etc.

More expense in student travel due to extra/co-curricular advancement in state, regional and national competitions.

Contacting the District's Financial Management

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$1,318,305	\$0	\$1,318,305
Accounts receivable	112,177		112,177
Inventory		17,563	17,563
Prepaid expenditures	31,371		31,371
Capital assets			
Land and construction in progress	95,130		95,130
Other capital assets, net of depreciation	<u>12,933,822</u>	<u>1,186,825</u>	<u>14,120,647</u>
Total capital assets	13,028,952	1,186,825	14,215,777
TOTAL ASSETS	\$14,490,805	\$1,204,388	\$15,695,193
LIABILITIES			
Accounts payable	\$22,389		22,389
Judgments payable	102,595		102,595
Interest payable	54,841		54,841
Long-term Liabilities			
Due within 1 year	831,590		831,590
Due in more than 1 year	<u>11,012,274</u>		<u>11,012,274</u>
TOTAL LIABILITIES	\$12,023,689	\$0	\$12,023,689
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	158,319		158,319
NET POSITION			
Net investment in capital assets	\$1,307,571	\$1,186,825	\$2,494,396
Restricted			
Food Service		17,563	17,563
Accrued sick leave	61,241		61,241
Future Construction Projects	5,868		5,868
Debt Service	42		42
Site Based Carryforward	20,575		20,575
District Activity Funds	77,957		77,957
Unrestricted	<u>835,543</u>		<u>835,543</u>
TOTAL NET POSITION	\$2,308,797	\$1,204,388	\$3,513,185

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$4,890,024	\$81,661	\$929,446		(\$3,878,917)	\$	(\$3,878,917)
Support services:							
Student	395,764		122,829		(272,935)		(272,935)
Instruction staff	664,607		75,612		(588,995)		(588,995)
District administrative	373,506				(373,506)		(373,506)
School administrative	510,718		1,628		(509,090)		(509,090)
Business	196,264		26,751		(169,513)		(169,513)
Plant operation and maintenance	786,042				(786,042)		(786,042)
Student transportation	618,850		140,124		(478,726)		(478,726)
Food service	67,403				(67,403)		(67,403)
Facilities acquisition and construction	260,833				(260,833)		(260,833)
Community service activities	85,036		84,926		(110)		(110)
Interest on long-term debt	315,920		8,574	144,877	(162,469)		(162,469)
Total governmental activities	9,164,967	81,661	1,389,890	144,877	(7,548,539)		(7,548,539)

Business-type Activities

Food service	594,617	120,839	391,717			(82,061)	(82,061)
Total business-type activities	594,617	120,839	391,717			(82,061)	(82,061)
Total school district	\$9,759,584	\$202,500	\$1,781,607	\$144,877	(\$7,548,539)	(\$82,061)	(\$7,630,600)

General Revenues

Property taxes	\$1,313,723						\$1,313,723
Motor Vehicle taxes	89,453						89,453
Utility taxes	258,556						258,556
State aid-formula grants	5,837,724						5,837,724
Investment earnings	21,890					27	21,917
Loss on sale of assets	(17,644)					(3,223)	(20,867)
Transfers	(3,049)					3,049	0
Miscellaneous	49,682						49,682
Total general & special	7,550,335					(147)	7,550,188
Change in net positions							(80,412)
Net position - beginning							1,286,596
Net position - ending							\$1,204,388
							\$3,513,185

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 As of June 30, 2014

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$1,113,110	\$199,285	\$42	\$5,868	\$1,318,305
Other receivables	75,186	36,991			112,177
Prepaid expenditures	31,371				31,371
TOTAL ASSETS	\$1,219,667	\$236,276	\$42	\$5,868	\$1,461,853
LIABILITIES					
Accounts payable	\$22,389	\$0	\$0	\$0	\$22,389
Judgments payable	<u>32,634</u>				<u>32,634</u>
TOTAL LIABILITIES	55,023				55,023
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues		158,319			158,319
Fund Balances					
Nonspendables					
Prepaids	31,371				31,371
Restricted					
Sick Leave Payable	61,241				61,241
Future Construction Projects				5,868	5,868
Debt Service			42		42
Committed					
Site Based Carryforward	20,575				20,575
Other		77,957			77,957
Unassigned	1,051,457				1,051,457
Total fund balances	1,164,644	77,957	42	5,868	1,248,511
TOTAL LIABILITIES AND FUND BALANCE	\$1,219,667	\$236,276	\$42	\$5,868	\$1,461,853

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2014

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

Total Fund Balance - Governmental Funds		\$1,248,511
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		13,028,952
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(11,261,856)
	Capital Leases Payable	(459,525)
	Judgments Liability	(69,961)
	Accrued Interest on Bonds	(54,841)
	Accumulated Sick Leave	<u>(122,483)</u>
Total Net Position - Governmental Activities		\$2,308,797

See accompanying notes

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

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$1,065,707	\$	\$	\$248,016	\$1,313,723
Motor vehicle taxes	89,453				89,453
Utility taxes	258,556				258,556
Earnings on investments	21,889		1		21,890
Other local revenues	131,343	106,304			237,647
Intergovernmental - State	5,076,566	271,189	410,719	495,316	6,253,790
Intergovernmental - Federal		<u>1,012,397</u>			<u>1,012,397</u>
Total revenues	<u>6,643,514</u>	<u>1,389,890</u>	<u>410,720</u>	<u>743,332</u>	<u>9,187,456</u>
Expenditures					
Instruction	3,985,346	942,259			4,927,605
Support services					
Student	341,832	44,872			386,704
Instruction staff	580,696	75,612			656,308
District administration	366,171				366,171
School administration	503,732	1,628			505,360
Business	169,209	26,751			195,960
Plant operation and maintenance	627,023				627,023
Student transportation	376,423	140,124			516,547
Food Service	67,403				67,403
Facilities and Construction	945			259,888	260,833
Community service activities		84,926			84,926
Debt service	<u>61,534</u>	<u>8,574</u>	<u>1,084,568</u>		<u>1,154,676</u>
Total expenditures	<u>7,080,314</u>	<u>1,324,746</u>	<u>1,084,568</u>	<u>259,888</u>	<u>9,749,516</u>
Excess(deficit)of revenues over expenditures	(436,800)	65,144	(673,848)	483,444	(562,060)
Other Financing Sources (Uses)					
Capital lease proceeds	42,964				42,964
Operating transfers in	69,483	12,813	673,849		756,145
Operating transfers out	<u>(15,862)</u>			<u>(743,332)</u>	<u>(759,194)</u>
Total other financing sources (uses)	<u>96,585</u>	<u>12,813</u>	<u>673,849</u>	<u>(743,332)</u>	<u>39,915</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(340,215)	77,957	1	(259,888)	(522,145)
Fund balance, July 1, 2013	<u>1,504,859</u>	<u>0</u>	<u>41</u>	<u>265,756</u>	<u>1,770,656</u>
Fund balance, June 30, 2014	\$1,164,644	\$77,957	\$42	\$5,868	\$1,248,511

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2014

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

Total net change in fund balances - governmental funds (\$522,145)

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

Depreciation Expense	(719,939)	
Capital Outlays	<u>354,671</u>	(365,268)

Loss on sale of assets (17,644)

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

Repayment of Bond Principal		661,603
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Lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position

Repayment of Capital Lease Principal		175,115
Proceeds from Capital Lease		(42,964)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Change in Accrued Interest		2,038
KSBIT liability		68,431
Change in Sick Leave		<u>42,630</u>

Total Change in Net Position - Governmental Activities \$1,796

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of June 30, 2014

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
ASSETS	
Inventory	\$17,563
Capital Assets, net of depreciation	<u>1,186,825</u>
TOTAL ASSETS	\$1,204,388
NET POSITION	
Net Investment in Capital Assets	1,186,825
Restricted Net Position	<u>17,563</u>
TOTAL NET POSITION	\$1,204,388

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$120,739
Other revenues	<u>100</u>
Total Operating Revenues	120,839
OPERATING EXPENSES	
Salaries and wages	249,438
Contract services	5,893
Materials and supplies	262,825
Depreciation	<u>76,461</u>
Total Operating Expenses	594,617
Operating income (loss)	(473,778)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	298,516
Commodities received	32,885
State grants	4,973
State on-behalf payments	55,343
Transfer In from General Fund	3,049
Gain (Loss) on Assets	(3,223)
Interest income	<u>27</u>
Non-operating revenues (expenses)	391,570
Net income (loss)	(82,208)
Increase (decrease) in Net Position	(82,208)
Net Position, July 1, 2013	<u>1,286,596</u>
Net Position, June 30, 2014	\$1,204,388

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

Business-Type Activities
Enterprise Funds
Food Service
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$151,035
Cash paid to employees, including benefits	(194,095)
Cash paid to suppliers	<u>(233,309)</u>
Net cash provided by operating activities	(276,369)

CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Interest Income	27
-----------------	----

CASH FLOW FROM NONCAPITAL
FINANCING ACTIVITIES

Cash received from general fund	3,049
Cash received from government funding	<u>303,489</u>
Net cash provided from capital and related financing activities	306,538

Net increase (decrease) in cash	30,196
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Cash and equivalents, July 1, 2013	<u>(30,196)</u>
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Cash and equivalents, June 30, 2014	\$0
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Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$473,778)

Adjustments to reconcile net income to cash
provided by operating activities

Depreciation	76,461
On-behalf payments	55,343
Commodities used	32,885
Decrease in accounts receivable	30,196
Decrease in inventory	<u>2,524</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$276,369)

Schedule of Non-Cash Financing Activities

Donated commodities	\$32,885
On Behalf payments	\$55,343

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2014

	Agency Fund
ASSETS	
Cash and equivalents	\$28,061
Accounts receivable	<u>0</u>
TOTAL ASSETS	\$28,061
LIABILITIES	
Accounts payable	\$355
Due to student groups	<u>27,706</u>
TOTAL LIABILITIES	\$28,061

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Williamstown Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Williamstown Independent School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Williamstown Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

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

Basis of Presentation

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

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

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

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

V. Permanent Funds

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

Basis of Accounting

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.884 per \$100 valuation for real property, \$.884 per \$100 valuation for business personal property and \$.591 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Interfund Balances

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through September 3, 2014, which represents the date of my report.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Interfund Activity

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

Uses of Estimates

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

Encumbrances

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

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2014 were levied on the assessed valuation of property located in the School District as of January 1, 2013 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,318,263. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 1,113,110
Fund 2		199,285
Fund 310		0
Fund 320		0
Fund 360		5,868
Fund 51		<u>0</u>
Total General Checking Account	1,704,654	1,318,263
Activity and Trust Funds	39,179	28,061
Debt Service Funds	<u>42</u>	<u>42</u>
TOTALS	\$ 1,743,875	\$1,346,366

Breakdown per financial statements:

Governmental Funds	\$ 1,318,305
Proprietary Funds	0
Agency Funds	<u>28,061</u>
TOTALS	\$ 1,346,366

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 428,151
Support Services	
Student	9,059
Instructional staff	8,299
District administration	7,335
School administration	5,358
Business	304
Plant operations & maintenance	159,019
Student transportation	102,304
Community services	<u>110</u>
Total Depreciation expense, governmental activities	719,939

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2013	Additions	Retirements	June 30,2014
Land	95,130			95,130
Land Improvements	559,233			559,233
Building & Building Improve	16,472,827	243,720	20,160	16,696,387
Technology Equipment	876,562	53,297	221,012	708,847
Vehicles	1,442,400	22,099	325,327	1,139,172
General Equipment	544,071	35,555	32,008	547,618
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals at historical cost	19,990,223	354,671	598,507	19,746,387
Accumulated Depreciation				
Land Improvements	293,387	23,525		316,912
Building & Building Improve	4,315,707	464,100	6,048	4,773,759
Technology Equipment	683,975	91,850	220,985	554,840
Vehicles	927,089	99,395	325,327	701,157
General Equipment	<u>358,201</u>	<u>41,069</u>	<u>28,503</u>	<u>370,767</u>
Total accumulated depreciation	6,578,359	719,939	580,863	6,717,435
Capital Assets – Net	13,411,864	(365,268)	17,644	13,028,952
Business-Type Activities				
Building & Building Improve	1,240,025			1,240,025
Technology Equipment	2,305		2,305	0
General Equipment	<u>362,740</u>		<u>12,252</u>	<u>350,488</u>
Totals at historical cost	1,605,070		14,557	1,590,513
Accumulated Depreciation				
Building & Building Improve	194,118	49,601		243,719
Technology Equipment	2,305		2,305	0
General Equipment	<u>142,138</u>	<u>26,860</u>	<u>9,029</u>	<u>159,969</u>
Total accumulated depreciation	338,561	76,461	11,334	403,688
Capital Assets – Net	1,266,509	(76,461)	3,223	1,186,825

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

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

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

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

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

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$11,923,459		\$661,603	\$11,261,856
Capital Leases	\$591,676	\$42,964	\$175,115	\$459,525
Sick Leave	\$165,113		\$42,630	\$122,483

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

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:

Fiscal Year	WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
2014-2015	407,901	266,029	270,971	136,318	1,081,219
2015-2016	423,165	254,068	271,937	127,585	1,076,755
2016-2017	431,187	241,148	281,006	118,521	1,071,862
2017-2018	451,923	228,317	281,351	109,064	1,070,655
2018-2019	471,200	213,629	291,215	99,202	1,075,246
2019-2020	495,130	199,440	254,870	89,589	1,039,029
2020-2021	515,838	182,244	264,162	80,298	1,042,542
2021-2022	531,052	163,939	273,948	70,512	1,039,451
2022-2023	550,704	144,862	284,296	60,165	1,040,027
2023-2024	568,743	124,381	271,257	49,140	1,013,521
2024-2025	597,713	102,592	282,287	38,111	1,020,703
2025-2026	621,216	78,512	293,784	26,612	1,020,124
2026-2027	651,204	49,719	283,796	14,640	999,359
2027-2028	341,414	23,228	203,586	4,377	572,605
2028-2029	191,062	12,274	3,938	221	207,495
2029-2030	<u>196,715</u>	<u>4,131</u>	<u>3,285</u>	<u>69</u>	<u>204,200</u>
TOTALS	7,446,167	2,288,513	3,815,689	1,024,424	14,574,793

NOTE F – CAPITAL LEASE PAYABLE

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

<u>Classes of Property</u>	<u>Book value as of June 30, 2014</u>
Buses & Equipment	\$ 438,015

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2015	\$ 133,896
2016	118,163
2017	86,369
2018	74,122
2019	43,350
Thereafter	<u>32,066</u>
Total minimum lease payments	487,966
Less: Amount representing interest	<u>(28,441)</u>
Present Value of Net Minimum Lease Payments	\$ <u><u>459,525</u></u>

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

The District had no commitments under operating lease agreements as of June 30, 2014.

NOTE H – RETIREMENT PLANS

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

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

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of member's salary for the 2013-2014 fiscal year.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE H – RETIREMENT PLANS (continued)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 18.89% of the employee's total compensation subject to contribution.

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

The following are payroll and retirement amounts for the years ended June 30, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total payroll	\$5,234,792	\$5,499,916	\$5,609,637
KTRS total payroll	\$3,630,542	\$3,578,806	\$3,692,889
CERS total payroll	\$1,582,006	\$1,878,032	\$1,834,490
Contribution requirement for CERS	\$358,233	\$426,531	\$432,793
District portion - CERS contribution	\$282,148	\$341,434	\$341,715
Employee portion - CERS contribution	\$76,085	\$85,876	\$91,078
KTRS contribution - Commonwealth of KY	\$458,423	\$452,990	\$452,493
KTRS contribution - District Federal Employees	\$25,480	\$61,106	\$38,182

NOTE I – CONTINGENCIES

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$122,483 of which \$61,241 is restricted in the current year fund balance of the General Fund.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014, consisted of the following:

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

NOTE M – RISK MANAGEMENT

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

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

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 1	(340,215)
Fund 360	(259,888)
Fund 51	(82,208)

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE O – COBRA

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

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 12,813
Operating	1	51	Food Service	3,049
Operating	310	1	Property Insurance	32,944
KISTA Bus Payments	310	1	KISTA Payments	36,539
Debt Service	320	400	Bond Payment	663,252
Debt Service	310	400	Bond Payment	10,597

NOTE Q – ON-BEHALF PAYMENTS

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

Instruction	\$ 861,458
Support Services	
Student	44,432
Instructional Staff	96,401
District Administration	12,992
School Administration	63,574
Business	12,298
Plant Operations and Maintenance	36,895
Student Transportation	74,485
Food Service	<u>61,492</u>
Total	\$1,264,027
Technology On Behalf Payments	\$ 26,997
Debt Service On Behalf Payments	\$ 410,719

NOTE R – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School boards Insurance Trust Workers' Compensation Fund. The District was assessed \$56,027. The District has elected to pay 25% by August 31, 2014, and the balance in equal installments for 4 years.

On July 17, 2014 the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Property & Liability Fund. The District was assessed \$46,568. The District has elected to pay 40% by September 15, 2014, and the balance in equal installments for 2 years.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE R – KSBIT JUDGMENT (continued)

The following is a schedule by years of the future payments under the agreement:

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 32,634
2016	24,476
2017	24,475
2018	10,505
2019	<u>10,505</u>
Total	\$ 102,595

NOTE S – GASB 68

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

NOTE T – RESTATEMENT OF NET POSITION – DISTRICT WIDE

GASB Statement 65, *Reporting Items Previously Recognized as Assets and Liabilities*, which reclassifies certain items reported as assets and liabilities to deferred outflows of resources or in other cases to expense/expenditure. Previously Debt issuance costs were included on the District Wide Financial Statements. Now, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. As a result of this change, the following restatement of beginning balance for Net Position – District Wide is made:

June 30, 2013, Original	\$ 2,614,733
Removal of Bond Issuance Costs	<u>(307,732)</u>
June 30, 2013, Restated	\$ 2,307,001

SUPPLEMENTARY INFORMATION

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	1,289,020	1,280,020	1,413,716	133,696
Other Local Sources	95,100	96,808	153,232	56,424
State Sources	<u>5,172,554</u>	<u>5,092,320</u>	<u>5,076,566</u>	<u>(15,754)</u>
TOTAL REVENUES	6,556,674	6,469,148	6,643,514	174,366
EXPENDITURES				
Instruction	4,026,065	4,233,130	3,985,346	247,784
Support Services				
Student	345,002	362,786	341,832	20,954
Instructional Staff	590,335	597,189	580,696	16,493
District Administration	404,578	412,594	366,171	46,423
School Administration	475,802	472,536	503,732	(31,196)
Business	185,780	190,361	169,209	21,152
Plant Operation and Maintenance	691,807	717,086	627,023	90,063
Student Transportation	422,883	389,833	376,423	13,410
Food Service	71,966	73,441	67,403	6,038
Community Service Operations	500	500		500
Facilities and Construction	20,000	20,000	945	19,055
Contingency	341,956	341,995		341,995
Debt Service	<u>62,000</u>	<u>62,000</u>	<u>61,534</u>	<u>466</u>
TOTAL EXPENDITURES	7,638,674	7,873,451	7,080,314	793,137
Excess (Deficit) of Revenues Over Expenditures	(1,082,000)	(1,404,303)	(436,800)	967,503
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	0	0	42,964	42,964
Operating Transfers In	0	0	69,483	69,483
Operating Transfers Out	<u>(18,000)</u>	<u>(18,000)</u>	<u>(15,862)</u>	<u>2,138</u>
TOTAL OTHER FINANCING SOURCES (USES)	(18,000)	(18,000)	96,585	114,585
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,100,000)	(1,422,303)	(340,215)	1,082,088
Fund Balance, July 1, 2013	<u>1,100,000</u>	<u>1,422,303</u>	<u>1,504,859</u>	<u>82,556</u>
Fund Balance, June 30, 2014	\$0	\$0	\$1,164,644	\$1,164,644

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$183,187	\$235,616	\$271,189	35,573
Federal Sources	1,063,221	1,073,280	1,012,397	(60,883)
Local Sources	<u>850</u>	<u>8,967</u>	<u>106,304</u>	<u>97,337</u>
TOTAL REVENUES	1,247,258	1,317,863	1,389,890	72,027
EXPENDITURES				
Instruction	1,024,667	974,445	942,259	32,186
Support Services				
Student	33,000	43,887	44,872	(985)
Instructional Staff	46,836	82,162	75,612	6,550
School Administration	804	804	1,628	(824)
Business	36,000	25,626	26,751	(1,125)
Student Transportation	50,475	121,504	140,124	(18,620)
Debt Service	0	8,500	8,574	(74)
Community Service Operations	<u>73,476</u>	<u>73,748</u>	<u>84,926</u>	<u>(11,178)</u>
TOTAL EXPENDITURES	1,265,258	1,330,676	1,324,746	5,930
Excess (Deficit) of Revenues Over Expenditures	(18,000)	(12,813)	65,144	77,957
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	<u>18,000</u>	<u>12,813</u>	<u>12,813</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	18,000	12,813	12,813	0
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	77,957	77,957
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$0	\$0	\$77,957	\$77,957

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2014

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES				
Cash and equivalents	\$0	\$0	\$5,868	\$5,868
TOTAL ASSETS AND RESOURCES	\$0	\$0	\$5,868	\$5,868
FUND BALANCES				
Restricted Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$5,868</u>	<u>\$5,868</u>
TOTAL FUND BALANCES	0	0	5,868	5,868
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$5,868	\$5,868

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2014

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total
REVENUES				
From local sources				
Taxes	\$	\$248,016	\$	\$248,016
Intergovernmental-State	<u>80,080</u>	<u>415,236</u>		<u>495,316</u>
TOTAL REVENUES	80,080	663,252		743,332
EXPENDITURES				
Site Improvement			<u>259,888</u>	<u>259,888</u>
TOTAL EXPENDITURES			259,888	259,888
Excess (deficit) revenues over expenditures	80,080	663,252	(259,888)	483,444
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(80,080)</u>	<u>(663,252)</u>		<u>(743,332)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(80,080)	(663,252)	0	(743,332)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	0	(259,888)	(259,888)
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>265,756</u>	<u>265,756</u>
Restricted Fund Balance, June 30, 2014	\$0	\$0	\$5,868	\$5,868

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2014

	Williamstown High School	Williamstown Elementary School	Total
ASSETS			
Cash and equivalents	\$18,357	\$9,704	\$28,061
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$18,357	\$9,704	\$28,061
LIABILITIES			
Accounts payable	\$355	\$0	\$355
Due to student groups	<u>18,002</u>	<u>9,704</u>	<u>27,706</u>
TOTAL LIABILITIES	\$18,357	\$9,704	\$28,061

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS
 SCHOOL ACTIVITY FUNDS
 For The Year Ended June 30, 2014

	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Due To Student Groups June 30, 2014
Williamstown High School	\$54,100	\$236,971	\$272,714	\$18,357	\$0	\$355	\$18,002
Williamstown Elementary School	<u>47,661</u>	<u>131,765</u>	<u>169,722</u>	<u>9,704</u>	_____	_____	<u>9,704</u>
Totals	\$101,761	\$368,736	\$442,436	\$28,061	\$0	\$355	\$27,706

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 WILLIAMSTOWN HIGH SCHOOL
 For The Year Ended June 30, 2014

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
	\$	\$	\$	\$	\$	\$	\$	\$
Art	\$2,110	\$100	\$2,210	\$0	\$0	0	0	0
Archery	412	26,951	27,362	(1)	0	0	0	0
M.S. Soccer	898	1,075	1,973		0	0	0	0
SR 2017	330				330			330
Dance Team	1,359	1,061	2,420		0			0
FFA	910	4,882	3,069	44	2,767			2,767
Scholarships	0	2,000	2,000		0			0
Spain Trip	2,775	1,125	3,900		0			0
Tennis	434		434		0			0
General	1,511	28,165	28,504	849	2,021		205	1,816
Project Graduation	231	4,765	4,996		0			0
Key Club	125	306	598	870	703			703
Chrous	0	9,009	8,326	(336)	347			347
GLOW	1,673	730	2,402	(1)	0			0
Textbooks	37			(37)	0			0
Academics	934	1,202	1,209	(1)	926			926
NHS	1,299	335	680		954		150	804
Jr. NHS	74			(74)	0			0
Track	62	1,663	4,225	2,500	0			0
MS Boys Basketball	517		7	(510)	0			0
Student Council	455	500	417		538			538
JV/Varsity Volleyball	2,190	1,387	3,273	(304)	0			0
Athletics	2,415	24,106	24,438	(83)	2,000			2,000
Cross Country	100	320	420		0			0
BV Basketball	2,715	8,512	11,352	125	0			0
GV Basketball	77	8,519	8,821	225	0			0
Baseball	90	4,374	3,804	(660)	0			0
Girls Golf	451		451		0			0
Softball	1,186	8,750	9,936		0			0

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 WILLIAMSTOWN HIGH SCHOOL
 For The Year Ended June 30, 2014

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
FCA	169			(169)	0			0
FCCLA	0	6,493	6,657	620	456			456
M. S. Student Council	196			(196)	0			0
SR KUNA	45	3,273	3,793	480	5			5
Relay for Life	0	2,203	2,203		0			0
Jr High Girls BB	59	4,490	4,383	(166)	0			0
Library	176	2,113	2,289		0			0
Band Raffle	12			(12)	0			0
Band	0	2,373	2,045	12	340			340
Band Fees	1,426	10,581	11,952	(2)	53			53
Drama	2,475	751	500	(331)	2,395			2,395
Beta	602	15	509		108			108
Science/Conservation	75	230	305		0			0
Builders Club	870			(870)	0			0
BV Cheerleaders	2,064	7,899	10,683	720	0			0
JH Cheerleaders	510	2,993	2,693	(810)	0			0
Boys Golf	302	62	364		0			0
MS Volleyball	760	547	1,610	303	0			0
YEP	70			(70)	0			0
Yearbook	11,565	7,027	18,592		0			0
Sr. 2013	122			(122)	0			0
SRS. 2014	1,580	6,241	7,882	61	0			0
2015	1,906	4,822	4,428	70	2,370			2,370
SRS. 2016	457				457			457
SRS 2018	0	1,031	641	(50)	340			340
SRS 2020	0	108			108			108
Athletic Concessions	672	24,955	24,426	(201)	1,000			1,000
H.S. English	0	92	92		0			0
Grants	0	2,000	2,000		0			0
Drink Commissions	0	1,284	1,281	71	74			74
M.S. Counseling	0	90		(90)	0			0
Petty Cash	0	6	292	286	0			0
SRS 2019	315	846	1,096		65			65
Athletic Alloc/Spons	<u>2,302</u>	<u>4,609</u>	<u>4,771</u>	<u>(2,140)</u>	<u>0</u>			<u>0</u>
TOTAL	\$54,100	\$236,971	\$272,714	\$0	\$18,357	\$0	\$355	\$18,002

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$182,990
National School Lunch Program	10.555	7750002 13	37,575
School Breakfast Program	10.553	7760005 14	63,901
School Breakfast Program	10.553	7760005 13	<u>14,050</u>
SubTotal Child Nutrition Cluster			298,516
Commodities	10.555	not provided	<u>32,885</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			331,401
 <u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 13	80,852
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>45,647</u>
		subtotal	126,499
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	136,434
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	9,207
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	1,810
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 13	<u>(31)</u>
		subtotal	147,420
Race to the Top	84.413A	3960002 11	560
Title VI Rural Education	84.358	3140002 11	1,803
Title VI Rural Education	84.358	3140002 12	<u>10,191</u>
			11,994

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2014

Federal Grantor/Passed-Through Grantor <u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving Teacher Quality State Grants	84.367	3230002 13	11,311
Improving Teacher Quality State Grants	84.367	3230002 12	<u>6,554</u>
		subtotal	17,865
TOTAL U.S. DEPARTMENT OF EDUCATION			304,338
 Federal Direct			
<u>U.S. Health and Human Services</u>			
Head Start			
Head Start	93.600	6554	695,222
Head Start	93.600	6553	<u>12,837</u>
Total Head Start			708,059
TOTAL U.S. HEALTH AND HUMAN SERVICES			708,059
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,343,798

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Williamstown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$32,885.

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamstown Independent Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 3, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

I noted certain matters that I reported to management of the District in a separate letter dated September 3, 2014.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 3, 2014

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Federal Program;
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Williamstown Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Williamstown Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of Williamstown Independent School District as of and for the year ended June 30, 2014, and have issued our report thereon dated September 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 3, 2014

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
 in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

2014-001

Identification : CFDA 93.600 Head Start Cluster, Award Number 04CH4673/01, 9/1/13 to 8/31/14,
Department of Health and Human Services.

Criteria: The District did not allocate costs in accordance with relative benefits received by two programs.

Condition: The District estimated the percentage of cost between the Head Start preschool and the KERA preschool. The estimates were not based on actual time or number of students.

Questioned Cost: None. When the District was informed of the problem in cost allocation, the District corrected the grant expenditures. The grant was corrected to report cost allocation based on the number of students in each classroom and the time spent by staff.

Context: The District estimated the percentage of cost. It then allocated staff, with some staff being paid entirely out of Head Start, some paid partially out of KERA preschool, and the general fund paying for some of the staff. The District was informed that this method does not meet cost allocation requirements. The District recomputed staff allocations based on the number of students in each classroom that were Head Start students and the number of students that were KERA students. Adjustments to the cost allocated to Head Start were made based on the correct cost allocation. The new cost allocations were tested, no exceptions were found.

Effect: The Director of Head Start thought the estimate was a sufficient and efficient method to allocate cost. The Director, Finance Officer, and Superintendent are now all aware that a more detail analysis and cost allocation based on time and number of students served is needed to properly allocate cost between the Head Start preschool and the KERA preschool.

Cause: The Director of Head Start misinterpreted a conversation she had with a regional representative. The Head Start/Preschool changed dramatically during the year with significantly fewer KERA students.

Recommendation: The District should base cost allocation for classrooms based on the number of Head Start students in each classroom/total number of students in each classroom.

Views of Responsible Officials and Planned Corrective Actions: The District is cost allocating salaries and expenses for each classroom based on the number of students from each program. There will be a review in January for classroom costs and adjustments will be made at that time if needed.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2014

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

MANAGEMENT LETTER

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

Williamstown Independent Board of Education
Williamstown, Kentucky

We have audited the financial statements of the Williamstown Independent School District for the year ended June 30, 2014 and have issued our report thereon dated September 3, 2014. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, 2013-06, 2013-08, 2013-14, 2013-15.

The following items from last year's management letter points were not corrected: 2013-07, 2013-09, 2013-10, 2013-11, 2013-12, 2013-13, 2013-16.

Denise M. Keene, CPA
September 3, 2014

CURRENT YEAR MANAGEMENT POINTS

2014-001

The Head Start Program did not allocate costs in accordance with relative benefits received by two programs. This has been identified under "Federal Award Findings and Questioned Costs.

Management's Response:

The District is cost allocating salaries and expense for each classroom based on the number of students from each program. There will be a review in January for classroom costs and adjustments will be made at that time if needed.

Auditor's Comment on New Red Book governing School Activity Funds: The New Red Book went into effect July 1, 2013. It has taken a significant amount of time for the actual requirements to be absorbed and implemented correctly throughout each school district. The Kentucky Department of Education (KDE) has addressed Red Book questions throughout the year and some questions relate to challenging and unique circumstances, which are not specifically addressed in the Red Book. Some of the following management letter points are directly related to new Red Book guidelines. The District continues to learn and adjust to the new information.

WILLIAMSTOWN JR/SR HIGH SCHOOL

2014-002

There were four (4) checks with only one signature. According to Board policy, "Two (2) signatures shall be required on each check drawn against internal accounts." I recommend a procedure be put into place to assure all checks have two signatures before they are distributed. **This is a repeat finding from last year.**

Management's Response:

Principal and Bookkeeper will discuss some type of procedure to insure that all checks are signed by both parties.

2014-003

According to the Red Book, "to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." There were 5 out of 36 expenditures tested that had Purchase Order dates after the invoice date. Staff should be reminded that all expenditures must be approved prior to obligating the school; all expenditures that are for a specific class/person should have sponsor approval. **This is a repeat finding from the past 2 years.**

Management's Response:

There has been clarification between the Auditor and the Bookkeeper on how to handle PO's in reference to fundraisers, in order to avoid these situations in the future.

WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)

2014-004

According to the New Red Book, "The school treasurer shall match up the purchase order, shipping document (if applicable) and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written." There were 2 out of 36 expenditures that were paid from statements without the vendor invoice. The school treasurer needs to verify all documentation is present before issuing a check.

Management's Response:

These companies were actually contacted to send invoices rather than statements and this is what they sent. It will be made clear in the future that they **MUST** send an actual invoice in order for us to be able to continue to do business with them.

2014-005

According to the New Red Book, "Cash awards, gift cards, or prepaid credit cards, are disallowed expenditures." Gift certificates and gas cards were purchased for Project Graduation. These are not allowed expenditures and should not have been approved or paid from the activity fund.

Management's Response:

New Redbook accounting procedures will help avoid these unallowable expenses going forward.

2014-006

The revised Red Book effective July 1, 2013 does not allow expenditures for operational costs. There were 6 out of 36 expenditures not allowed because they were for operational costs. The school treasurer and principal should not approve purchases that are not allowed by the Red Book.

Management's Response:

This year due to new Redbook restrictions on how purchases could be made, the School ran out of funds for these types of purchases. New accounting procedures for the new school year will eliminate these issues.

2014-007

There were two (2) sporting events where the money was not turned in timely. According to the Red Book all money should be turned in daily. I recommend money from sporting events be turned in promptly.

Management's Response:

The Principal and Bookkeeper will meet with all Coaches/Sponsors and emphasize the importance of turning money in as soon as possible after each event. They will be directed to make arrangements to assure this is done properly. The problem sometimes arises when the person in charge of the gates are paraprofessionals and not at the school on a daily basis.

WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)

2014-008

There were 7 of 27 ticket sale forms tested that were not properly signed. There are several places on the form that required signatures. The school treasurer should check the form for all signatures before accepting the form.

Management's Response:

A brightly colored note is placed in each gate box for events, explaining to ticket takers, what procedures they should follow. Most ticket forms are highlighted in the areas where they are to sign/initial prior to turning into the Bookkeeper. The Athletic Director will make sure that all ticket takers are made aware of the proper procedures necessary to be in compliance.

2014-009

According to the Redbook, "Teachers, sponsors, or students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money." Teachers are not using multiple receipt forms as they should. During the test month there were several receipts that should have had them, but did not. I recommend teachers use multiple receipt forms and turn them into the bookkeeper with the money. The school treasurer should inform the Principal when multiple receipt forms are not turned in. The Principal should discuss the requirement with the teacher/sponsor. **This is a repeat finding.**

Management's Response:

Teachers/Coaches/Sponsors were provided with Multiple Receipt forms at the beginning of the School year to use to make copies to use when necessary. The Principal and Bookkeeper will again meet with and emphasize the importance of following these procedures.

2014-010

According to the New Red Book, "Students third grade and above must sign the Multiple Receipt Form." Teachers/sponsors are not always having the students sign the Multiple Receipt Form. I recommend the school treasurer inform the Principal when students are not signing the Multiple Receipt Form. The Principal should discuss the requirement with the teacher/sponsor.

Management's Response:

All staff was informed of this rule at the beginning of, and throughout the School year. The Principal and Bookkeeper will reiterate this rule for all funds collected from students.

WILLIAMSTOWN ELEMENTARY SCHOOL

2014-011

According to the Red Book, "to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." There were 1 out of 26 expenditures tested that had Purchase Order dates after the invoice date. Staff should be reminded that all expenditures must be approved prior to obligating the school, all expenditures that are for a specific class, person should have a sponsor approval. **This is a repeat finding from last year.**

Management's response:

We will prepare the PO when we pre-order the items. Folders are pre-ordered to receive a discount price.

WILLIAMSTOWN ELEMENTARY SCHOOL (continued)

2014-012

There were 11 out of 26 expenditures tested that were for expenses not allowed. This large number is primarily for expenses such as instructional supplies, classroom supplies, stamps, etc. These items had been acceptable in prior years, but is no longer acceptable under the New Red Book. I recommend the treasurer and Principal review the New Red Book and the frequently asked questions for allowed expenses.

Management's Response:

We have transferred activity account monies to District Activity Accounts as of June 30, 2014.

2014-013

According to the Red Book, "...always use a Purchase Order to initiate a purchase..." Purchase order forms are not being used or generated for all purchases. The standard invoice form is being used instead. I recommend a Purchase Order form be used for all purchases.

Management's Response:

Bookkeeper will initiate purchase orders in place of standard invoice.

2014-014

The school reimbursed sales tax on 1 occasion. Sales tax is not to be reimbursed except for out of district travel expenses. I recommend a review of all expenditures prior payment being made to assure that sales tax is not included in the request for reimbursement.

Management's response:

Bookkeeper will have receipts checked before check is prepared for payment to not include sales tax.

2014-015

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

Management's Response:

Bookkeeper will print off activity transfer report and have Principal sign off on the report after checking the amount(s) of transfers.

2014-016

Teachers are not turning in their receipts on a daily basis. Testing disclosed checks not turned in for two months. The Red Book states, "All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day." I recommend the school treasurer inform the Principal anytime receipts with checks that have dates prior to the day they are turned in. The Principal should then discuss with the teacher/sponsor the need to turn in daily.

Management's Response:

We will remind staff to turn in checks when received on a daily basis. If check is dated one or more months in the past, the bookkeeper will contact the parent for a new check or disclose on the multiple receipt form when received.

WILLIAMSTOWN ELEMENTARY SCHOOL (continued)

2014-017

According to the Red Book, "Teachers, sponsors, or students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money." Testing disclosed that Multiple Receipt Forms are not being used for all receipts. I recommend the school treasurer inform the Principal anytime receipts are received without a Multiple Receipt Form. The Principal should then discuss this with the teacher/sponsor.

Management's Response:

Multiple receipt forms will be used for all monies collected from students and students will sign the multiple receipt form.

2014-018

According to the New Red Book, "Students third grade and above must sign the Multiple Receipt Form." I went over a few multiple receipt forms with the school treasurer. There were several forms that were for students third grade and above that had not been signed by the student. I recommend the school treasurer inform the Principal when Multiple Receipt Form if not signed by the student, third grade and above. The Principal should then discuss this with the teacher/sponsor.

Management's Response:

We will alert staff to have students (3rd grade and above) to sign multiple receipt forms. Bookkeeper will check forms and if not signed will return to staff member to be prepared correctly.

2014-019

According to the New Red Book, "The school treasurer shall match up the purchase order, shipping document (if applicable) and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written." 3 out of 26 expenditures tested did not have a vendor invoice. I recommend a vendor invoice be obtained whenever possible.

Management's Response:

We will require receipt from all vendors. Staff will be alerted to get receipts when going on field trips.