

# **Walton-Verona Independent School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2015  
With Independent Auditors' Report**

# WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2015

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June 30, 2015

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## Independent Auditors' Report

To the Members of the Board of Education  
Walton-Verona Independent School District  
Walton, 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 Walton-Verona Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Walton-Verona Independent School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District, as of June 30, 2015, 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.

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Independent Auditors' Report  
(Continued)

**Other Matters**

***Change in Accounting Principle***

As described in note 18 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walton-Verona Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the Walton-Verona Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Walton-Verona Independent School District's internal control over financial reporting and compliance.

*Barnes, Dennig & Co., Ltd.*

## **WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015**

As management of the Walton-Verona Independent School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. 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 \$6,941,164.
- The General Fund had \$13,951,120, excluding interfund transfers and capital lease proceeds, in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$13,543,544 in General Fund expenditures.

#### **CURRENT ISSUES**

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives continue to be to create students who grow and achieve academically, are college and/or career ready when they graduate, are involved in their community, and to provide the best return possible on the community's investment in education.

Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Walton - Verona Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

#### **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.

## WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

#### **OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the 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 are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 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 only proprietary funds are our vending and 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 10 through 17 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 18 through 38 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 and deferred outflows exceeded liabilities by \$14,540,793 as of June 30, 2015.

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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 periods ending June 30, 2015 and 2014**

The following table presents a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 3,173,975	\$ 7,399,442
Noncurrent assets	<u>32,080,442</u>	<u>28,565,191</u>
Total assets	<u>35,254,417</u>	<u>35,964,633</u>
Total deferred outflows	<u>666,631</u>	<u>-</u>
Current liabilities	1,721,755	2,094,455
Noncurrent liabilities	<u>19,658,500</u>	<u>17,672,814</u>
Total liabilities	<u>21,380,255</u>	<u>19,767,269</u>
Net position		
Investment in capital (net of debt)	14,363,657	9,806,969
Restricted	440,916	4,289,728
Unassigned	<u>(263,780)</u>	<u>2,100,667</u>
Total net position	<u>\$ 14,540,793</u>	<u>\$ 16,197,364</u>

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2015, net of inter-fund transfers and capital lease proceeds, were \$13,951,120.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,647,149 more than budget or approximately 35.4%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$13,543,544, net of interfund transfers and debt service.
- General Fund actual expenditures exceeded budget expenditures by \$1,635,249 in instruction. This is a result of the District recording "on behalf" payments made by the State.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 428,930	\$ 454,575
Operating grants and contributions	1,413,214	1,220,905
Capital grants and contributions	<u>917,764</u>	<u>374,605</u>
Total program revenues	<u>2,759,908</u>	<u>2,050,085</u>
General revenues		
Taxes	6,528,164	6,041,519
Federal and state sources	9,368,801	8,423,289
Earnings on investments	12,199	17,772
Miscellaneous	<u>291,254</u>	<u>45,743</u>
Total general revenues	<u>16,200,418</u>	<u>14,528,323</u>
Total revenues	<u>18,960,326</u>	<u>16,578,408</u>
Expenses		
Instructional	10,460,721	8,565,580
Student support services	728,378	690,424
Instructional support	761,519	851,712
District administration	818,758	671,643
School administration	835,427	856,870
Business support	256,687	239,694
Plant operations	1,602,432	1,689,567
Student transportation	896,975	1,031,179
Other	-	40,665
Debt service	755,239	465,586
Food service	<u>801,761</u>	<u>838,072</u>
Total expenses	<u>17,917,897</u>	<u>15,940,992</u>
Excess of revenues over expenses	<u>\$ 1,042,429</u>	<u>\$ 637,416</u>

**General Fund Revenue**

The majority of general revenue was derived from State SEEK Funds (41.2%) with local funding making up 41.1% of total revenue.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)**

**Year Ended June 30, 2015**

**(Continued)**

**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 calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$675,000 in contingency (5.5%). The beginning cash balance for the fiscal year is \$6,941,164.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Robert Storer, Superintendent or to Mr. Kevin Ryan, Director of Financial Services at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 2,688,078	\$ 102,724	\$ 2,790,802
Accounts receivable	355,065	-	355,065
Inventories for consumption	-	28,108	28,108
Total current	<u>3,043,143</u>	<u>130,832</u>	<u>3,173,975</u>
<b>Noncurrent:</b>			
Land	1,076,853	-	1,076,853
Land improvements	1,075,278	-	1,075,278
General equipment	349,111	388,768	737,879
Buildings and improvements	38,186,545	146,981	38,333,526
Furniture and equipment	3,653,476	-	3,653,476
Less: accumulated depreciation	<u>(12,361,659)</u>	<u>(434,911)</u>	<u>(12,796,570)</u>
Total noncurrent	<u>31,979,604</u>	<u>100,838</u>	<u>32,080,442</u>
Total assets	<u>35,022,747</u>	<u>231,670</u>	<u>35,254,417</u>
<b>Deferred Outflows</b>	<u>655,443</u>	<u>11,188</u>	<u>666,631</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Accrued interest	124,412	-	124,412
Current portion of bonds payable	1,180,000	-	1,180,000
Current portion of capital leases	68,035	-	68,035
Current portion of accrued sick leave	18,921	-	18,921
Accrued payroll and related expenses	119,714	-	119,714
Accounts payable	151,161	-	151,161
Unearned revenues	<u>59,512</u>	<u>-</u>	<u>59,512</u>
Total current	<u>1,721,755</u>	<u>-</u>	<u>1,721,755</u>
<b>Noncurrent:</b>			
Accrued sick leave	170,286	-	170,286
Capital leases	91,992	-	91,992
CERS net pension liability	2,611,766	87,234	2,699,000
Bond obligations	<u>16,697,222</u>	<u>-</u>	<u>16,697,222</u>
Total noncurrent	<u>19,571,266</u>	<u>87,234</u>	<u>19,658,500</u>
Total liabilities	<u>21,293,021</u>	<u>87,234</u>	<u>21,380,255</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	14,262,819	100,838	14,363,657
Restricted	386,130	54,786	440,916
Unrestricted	<u>(263,780)</u>	<u>-</u>	<u>(263,780)</u>
Total net position	<u>\$ 14,385,169</u>	<u>\$ 155,624</u>	<u>\$ 14,540,793</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Activities – District Wide  
Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 10,460,721	\$ 68,655	\$ 834,634	\$ -	\$ (9,557,432)	\$ -	\$ (9,557,432)
Support services:							
Student support services	728,378	-	-	-	(728,378)	-	(728,378)
Instruction staff support services	761,519	-	-	-	(761,519)	-	(761,519)
District administration	818,758	-	18,304	-	(800,454)	-	(800,454)
School administration	835,427	-	-	-	(835,427)	-	(835,427)
Business	256,687	-	-	-	(256,687)	-	(256,687)
Plant operation and maintenance	1,602,432	-	-	-	(1,602,432)	-	(1,602,432)
Student transportation	896,975	27,498	26,707	-	(842,770)	-	(842,770)
Facilities acquisition and construction	-	-	-	917,764	917,764	-	917,764
Interest on long-term debt	755,239	-	-	-	(755,239)	-	(755,239)
Total governmental activities	<u>17,116,136</u>	<u>96,153</u>	<u>879,645</u>	<u>917,764</u>	<u>(15,222,574)</u>	<u>-</u>	<u>(15,222,574)</u>
<b>Business-type Activities</b>							
Food service	801,761	332,777	533,569	-	-	64,585	64,585
Total business-type activities	<u>801,761</u>	<u>332,777</u>	<u>533,569</u>	<u>-</u>	<u>-</u>	<u>64,585</u>	<u>64,585</u>
Total school district	<u>\$ 17,917,897</u>	<u>\$ 428,930</u>	<u>\$ 1,413,214</u>	<u>\$ 917,764</u>	<u>(15,222,574)</u>	<u>64,585</u>	<u>(15,157,989)</u>
			<b>General Revenues</b>				
			Taxes	\$ 6,528,164	\$ -	\$ 6,528,164	
			Investment earnings	11,382	817	12,199	
			Federal and state sources	9,368,801	-	9,368,801	
			Miscellaneous	291,254	-	291,254	
			Total general revenues	<u>16,199,601</u>	<u>817</u>	<u>16,200,418</u>	
			Change in net position	977,027	65,402	1,042,429	
			Net position - beginning	16,019,908	177,456	16,197,364	
			Net position - adjustment (Note 18)	<u>(2,611,766)</u>	<u>(87,234)</u>	<u>(2,699,000)</u>	
			Net position - ending	<u>\$ 14,385,169</u>	<u>\$ 155,624</u>	<u>\$ 14,540,793</u>	

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ 2,578,798	\$ (89,947)	\$ 47,708	\$ 151,519	\$ 2,688,078
Accounts receivable	205,606	149,459	-	-	355,065
Total current	<u>\$ 2,784,404</u>	<u>\$ 59,512</u>	<u>\$ 47,708</u>	<u>\$ 151,519</u>	<u>\$ 3,043,143</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
<b>Current:</b>					
Accounts payable	\$ 103,453	\$ -	\$ 47,708	\$ -	\$ 151,161
Deferred revenue	-	59,512	-	-	59,512
Accrued payroll and related expenses	119,714	-	-	-	119,714
Total current	<u>223,167</u>	<u>59,512</u>	<u>47,708</u>	<u>-</u>	<u>330,387</u>
<b>Fund Balances</b>					
Restricted:					
Capital projects	234,611	-	-	151,519	386,130
Sick Leave	60,142	-	-	-	60,142
Assigned	94,586	-	-	-	94,586
Unassigned	2,171,898	-	-	-	2,171,898
Total fund balances	<u>2,561,237</u>	<u>-</u>	<u>-</u>	<u>151,519</u>	<u>2,712,756</u>
Total liabilities and fund balances	<u>\$ 2,784,404</u>	<u>\$ 59,512</u>	<u>\$ 47,708</u>	<u>\$ 151,519</u>	<u>\$ 3,043,143</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2015**

Total fund balance per fund financial statements		\$ 2,712,756
Capital assets are used in governmental activities are not financials resources and therefore are not reported as assets in governmental funds		
Cost of capital assets	44,341,263	
Accumulated depreciation	<u>(12,361,659)</u>	31,979,604
Deferred outflows		
Bond refinancing	320,464	
CERS contributions made after the measurement date	<u>334,979</u>	655,443
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(17,877,222)	
Capital lease obligation	(160,027)	
Accrued interest on bonds	(124,412)	
Net pension liability	(2,611,766)	
Accrued sick leave	<u>(189,207)</u>	<u>(20,962,634)</u>
Net assets for governmental activities		<u>\$ 14,385,169</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 5,584,743	\$ -	\$ -	\$ 943,421	\$ 6,528,164
Earnings on investments	11,382	-	-	-	11,382
State sources	8,217,874	311,931	-	917,764	9,447,569
Federal sources	-	533,021	-	-	533,021
Other revenues	137,121	-	-	-	137,121
<b>Total revenues</b>	<u>13,951,120</u>	<u>844,952</u>	<u>-</u>	<u>1,861,185</u>	<u>16,657,257</u>
<b>Expenditures</b>					
Instruction	8,195,861	834,634	-	-	9,030,495
Support services					
Student	649,529	-	-	-	649,529
Instruction staff	761,519	-	-	-	761,519
District administration	790,113	18,304	-	-	808,417
School administration	831,258	-	-	-	831,258
Business	256,687	-	-	-	256,687
Plant operation and maintenance	1,246,243	-	-	-	1,246,243
Student transportation	812,334	26,707	-	-	839,041
Facilities acquisition and construction	-	-	4,232,406	-	4,232,406
Debt service					
Principal	-	-	-	1,055,000	1,055,000
Interest	-	-	-	656,647	656,647
<b>Total expenditures</b>	<u>13,543,544</u>	<u>879,645</u>	<u>4,232,406</u>	<u>1,711,647</u>	<u>20,367,242</u>
Excess (deficit) of revenues over expenditures	<u>407,576</u>	<u>(34,693)</u>	<u>(4,232,406)</u>	<u>149,538</u>	<u>(3,709,985)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from bond sale and capital leases	13,563	-	-	-	13,563
Operating transfers in	-	34,693	149,538	1,466,836	1,651,067
Operating transfers out	(84,693)	-	-	(1,616,374)	(1,701,067)
<b>Total other financing sources (uses)</b>	<u>(71,130)</u>	<u>34,693</u>	<u>149,538</u>	<u>(149,538)</u>	<u>(36,437)</u>
Net change in fund balances	336,446	-	(4,082,868)	-	(3,746,422)
Fund balance, July 1, 2014	<u>2,224,791</u>	<u>-</u>	<u>4,082,868</u>	<u>151,519</u>	<u>6,459,178</u>
Fund balance, June 30, 2015	<u>\$ 2,561,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,519</u>	<u>\$ 2,712,756</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015**

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

Net change in total fund balances per fund financial statements		(3,746,422)
Proceeds from capital leases		\$ (13,563)
Proceeds from bonds payable		(7,635,000)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(878,660)	
Capital outlays	<u>4,415,188</u>	
		3,536,528
<p>Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position</p>		
Principal paid		8,369,536
Deferred outflow from bond refinancing		320,464
Deferred outflow CERS contributions made after the measurement date		334,979
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>(189,495)</u>
Change in net position of governmental activities		<u>\$ 977,027</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Funds  
As of June 30, 2015**

	<u>Food Service</u>	<u>Total</u>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 102,724	\$ 102,724
Inventories for consumption	28,108	28,108
	<u>130,832</u>	<u>130,832</u>
<b>Noncurrent</b>		
General equipment	388,768	388,768
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	<u>(434,911)</u>	<u>(434,911)</u>
Total noncurrent	<u>100,838</u>	<u>100,838</u>
Total assets	<u>231,670</u>	<u>231,670</u>
<b>Deferred outflows</b>	<u>11,188</u>	<u>11,188</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
<b>Current</b>		
CERS net pension liability	<u>87,234</u>	<u>87,234</u>
Total current	<u>87,234</u>	<u>87,234</u>
<b>Net Position</b>		
Invested in assets, net of debt	100,838	100,838
Restricted	<u>54,786</u>	<u>54,786</u>
Total net position	<u>\$ 155,624</u>	<u>\$ 155,624</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position –  
Proprietary Funds  
Year Ended June 30, 2015**

	<b>Food Service</b>	<b>Total</b>
	<u>          </u>	<u>          </u>
<b>Operating revenues</b>		
Lunchroom sales	\$ 332,218	\$ 332,218
Other operating revenues	559	559
	<u>          </u>	<u>          </u>
Total operating revenues	<u>332,777</u>	<u>332,777</u>
 <b>Operating expenses</b>		
Salaries and benefits	394,570	394,570
Contract services	13,807	13,807
Materials and supplies	370,343	370,343
Depreciation	21,277	21,277
Other operating expenses	1,764	1,764
	<u>          </u>	<u>          </u>
Total operating expenses	<u>801,761</u>	<u>801,761</u>
 Operating loss	<u>(468,984)</u>	<u>(468,984)</u>
 <b>Nonoperating revenues</b>		
Federal grants	367,840	367,840
State grants	55,571	55,571
Donated commodities and other donations	60,158	60,158
Transfers	50,000	50,000
Interest income	817	817
	<u>          </u>	<u>          </u>
Total nonoperating revenues	<u>534,386</u>	<u>534,386</u>
 Change in net position	65,402	65,402
 Total net position, July 1, 2014	<u>177,456</u>	<u>177,456</u>
 Net position adjustment	<u>(87,234)</u>	<u>(87,234)</u>
 Total net position, June 30, 2015	<u>\$ 155,624</u>	<u>\$ 155,624</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2015**

	<u>Food Service Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>		
Cash received from lunchroom sales	\$ 332,218	\$ 332,218
Cash received from other activities	559	559
Cash payments to employees for services	(405,758)	(405,758)
Cash payments to suppliers for goods and services	(392,834)	(392,834)
Cash payments for other operating activities	<u>(1,764)</u>	<u>(1,764)</u>
Net cash used in operating activities	<u>(467,579)</u>	<u>(467,579)</u>
<b>Cash flows from noncapital financing activities</b>		
Non-operating revenues received	<u>533,569</u>	<u>533,569</u>
Net cash provided by noncapital financing activities	<u>533,569</u>	<u>533,569</u>
<b>Cash flows from investing activities</b>		
Interest on investments	<u>817</u>	<u>817</u>
Net cash provided by investing activities	<u>817</u>	<u>817</u>
Net increase in cash and cash equivalents	66,807	66,807
Cash and cash equivalents - beginning	<u>35,917</u>	<u>35,917</u>
Cash and cash equivalents - ending	<u>\$ 102,724</u>	<u>\$ 102,724</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (468,984)	\$ (468,984)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation	21,277	21,277
Changes in assets and liabilities:		
Increase in deferred outflows	(11,188)	(11,188)
(Decrease) in accounts payable	(3,500)	(3,500)
(Increase) in inventories	<u>(5,184)</u>	<u>(5,184)</u>
Net cash used in operating activities	<u>\$ (467,579)</u>	<u>\$ (467,579)</u>
<b>Schedule of non-cash transactions:</b>		
Donated commodities received from federal government	<u>\$ 60,158</u>	<u>\$ 60,158</u>

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position  
As of June 30, 2015

	<u>School Activity Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 447,490	\$ 447,490
Total assets	<u>\$ 447,490</u>	<u>\$ 447,490</u>
<b>Liabilities</b>		
Due to student groups	\$ 447,490	\$ 447,490
Total liabilities	<u>\$ 447,490</u>	<u>\$ 447,490</u>

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. 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 Parent-Teacher Associations, etc.

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

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

Walton-Verona Independent School District Finance Corporation - The Board authorized the establishment of the Walton-Verona 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Walton-Verona Independent 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 District 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 reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

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 enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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 financial resources used for general types of operations. 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 proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 53. This is a major fund of the District.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (cont'd)

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- 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 Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account 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.

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting***

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

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 use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

***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. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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) of the United States of America. 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).

***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***

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

***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 district-wide statement of net assets 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 district-wide statement of net assets and in the respective funds.

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

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

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>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Audio-visual equipment	15 years
Food service equipment	10 - 12 years
Furniture and fixtures	7 years
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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

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

***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.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Balance Reserves***

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

***Net Position***

Net position represents 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 is 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.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Activity***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 ESTIMATES**

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

**NOTE 3 CASH AND CASH EQUIVALENTS**

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 1,076,853	\$ -	\$ -	\$ 1,076,853
Construction in progress	1,911,924	-	1,911,924	-
Land improvements	1,055,468	19,810	-	1,075,278
Buildings and improvements	31,917,414	6,269,131	-	38,186,545
Technology equipment	2,034,608	-	-	2,034,608
Vehicles	1,600,691	18,177	-	1,618,868
General equipment	329,117	19,994	-	349,111
<b>Totals at historical cost</b>	<b>39,926,075</b>	<b>6,327,112</b>	<b>1,911,924</b>	<b>44,341,263</b>
Less: accumulated depreciation				
Land improvements	488,541	52,308	-	540,849
Buildings and improvements	7,582,624	723,594	-	8,306,218
Technology equipment	2,002,404	14,598	-	2,017,002
Vehicles	1,176,125	68,656	-	1,244,781
General equipment	233,305	19,504	-	252,809
<b>Total accumulated depreciation</b>	<b>11,482,999</b>	<b>878,660</b>	<b>-</b>	<b>12,361,659</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 28,443,076</b>	<b>\$ 5,448,452</b>	<b>\$ 1,911,924</b>	<b>\$ 31,979,604</b>
 <u>Business - Type Activities</u>				
General equipment	\$ 388,768	\$ -	\$ -	\$ 388,768
Buildings and improvements	146,981	-	-	146,981
<b>Totals at historical cost</b>	<b>535,749</b>	<b>-</b>	<b>-</b>	<b>535,749</b>
Less: accumulated depreciation				
General equipment	308,837	17,768	-	326,605
Buildings and improvements	104,797	3,509	-	108,306
<b>Total accumulated depreciation</b>	<b>413,634</b>	<b>21,277</b>	<b>-</b>	<b>434,911</b>
<b>Business - type activities capital assets - net</b>	<b>\$ 122,115</b>	<b>\$ (21,277)</b>	<b>\$ -</b>	<b>\$ 100,838</b>

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 150,234	\$ -
Student support services	78,849	-
District administration	10,341	-
School administration	4,168	-
Plant operation and maintenance	558,956	-
Food service		21,277
Student transportation	76,112	-
<b>Total</b>	<b>\$ 878,660</b>	<b>\$ 21,277</b>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 5 COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of equipment under capital leases expiring between 2015 and 2020. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2015, for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	Capital Lease <u>Payable</u>
2015-2016	\$ 77,288
2016-2017	65,651
2017-2018	28,074
2018-2019	5,651
2019-2020	<u>543</u>
Total minimum payments	177,207
Less amount representing interest	<u>17,180</u>
Present value of net minimum lease payments	<u><u>\$ 160,027</u></u>

**NOTE 6 ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$189,207 for those employees with twenty-seven or more years of experience.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT**

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.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
August 2006	\$ 10,825,000	3.500% - 4.250%
May 2007	\$ 2,280,000	3.600% - 4.000%
May 2008	\$ 890,000	3.150%
November 2009	\$ 2,700,000	2.000% - 4.000%
October 2010	\$ 800,000	1.500% - 3.100%
March 2011	\$ 1,610,000	2.000% - 4.250%
March 2012	\$ 985,000	1.500% - 2.350%
April 2014	\$ 2,485,000	1.100% - 3.500%
March 2015	\$ 7,635,000	2.000% - 2.500%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Walton-Verona Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 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 has been recorded in the financial statements.

All issues 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, 2015 for debt service (principal and interest) are reported in Note 16.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 8 CONTINGENCIES**

Grant Fund Approval

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

**NOTE 9 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**NOTE 10 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 errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 11 DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 4,082,868
Walton-Verona Elementary School	523

**NOTE 12 COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 13 CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2015, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

**NOTE 14 TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 34,693
1	51	Food Service	\$ 50,000
310	400	Debt Service	\$ 144,555
320	400	Debt Service	\$ 1,322,281
320	360	Construction	\$ 149,538

**NOTE 15 ON-BEHALF PAYMENTS**

For the year ended June 30, 2015 total payments of \$2,750,265 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 2,457,233
Debt Service	244,811
Food Service	<u>48,221</u>
Total On-Behalf	<u><u>\$ 2,750,265</u></u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS**

**2006, 2007, 2008R, 2009, 2010R, 2011, 2012R, 2014, and 2015 Series**

Fiscal Year	Walton - Verona School District		KY School Facilities Construction Commission		Total Requirements
	Principal	Interest	Principal	Interest	
2015-2016	993,240	415,706	186,760	58,065	\$ 1,653,771
2016-2017	1,015,979	401,980	189,021	54,643	1,661,623
2017-2018	1,042,025	373,584	187,975	49,684	1,653,268
2018-2019	1,067,923	349,126	177,077	45,491	1,639,617
2019-2020	1,094,330	322,996	142,892	41,898	1,602,116
2020-2021	1,121,103	295,214	148,897	38,574	1,603,788
2021-2022	1,152,795	266,309	152,205	35,166	1,606,475
2022-2023	1,179,112	234,455	155,888	31,391	1,600,846
2023-2024	1,210,346	203,542	159,654	27,528	1,601,070
2024-2025	1,241,931	169,468	148,069	23,314	1,582,782
2025-2026	1,023,201	137,108	151,799	19,130	1,331,238
2026-2027	1,050,607	108,497	134,393	14,817	1,308,314
2027-2028	455,895	86,137	64,105	11,563	617,700
2028-2029	473,549	69,472	66,451	9,060	618,532
2029-2030	493,681	51,923	66,319	7,115	619,038
2030-2031	321,219	36,653	58,781	4,022	420,675
2031-2032	224,983	24,617	15,017	1,633	266,250
2032-2033	234,457	16,743	15,543	1,107	267,850
2033-2034	243,914	8,537	16,086	563	269,100
	<u>\$ 15,640,290</u>	<u>\$ 3,572,067</u>	<u>\$ 2,236,932</u>	<u>\$ 474,764</u>	<u>\$ 21,924,053</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

Governmental Activities	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
Bond Obligations	<u>\$ 18,523,298</u>	<u>\$ 7,635,000</u>	<u>\$ 8,281,076</u>	<u>\$ 17,877,222</u>
Capital Leases	<u>\$ 234,924</u>	<u>\$ 13,563</u>	<u>\$ 88,460</u>	<u>\$ 160,027</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous**

***Plan description***

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

***Benefits provided***

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

***Contributions***

Required contributions by the employee are based on the following tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2015, was \$450,509, which consisted of \$346,167 from the District and \$104,342 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$460,274 and \$466,470, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

**General information about the Teachers' Retirement System of the State of Kentucky**

***Plan description***

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

***Benefits provided***

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

***Contributions***

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was \$1,001,717, which consisted of \$161,896 from the District and \$839,821 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$891,975 and \$791,347, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

***Plan description***

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

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

***Funding policy***

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 2,699,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>45,246,643</u>
	<u><u>\$ 47,945,643</u></u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.083182% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$360,481 related to CERS and \$2,217,178 related to KTRS. The District also recognized revenue of \$2,217,178 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 301,000
District contributions subsequent to the measurement date	<u>346,167</u>	<u>-</u>
Total	<u><u>\$ 346,167</u></u>	<u><u>\$ 301,000</u></u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

\$346,167 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 60,200
2017	60,200
2018	60,200
2019	60,200
2020	60,200

***Actuarial assumptions***

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's and CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	<u>100%</u>		<u>100%</u>	

***Discount rate***

For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 RETIREMENT PLANS (CONTINUED)**

***Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate***

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	3,551,703	2,699,000	1,945,616
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$2,699,000 reduction in beginning net position on the Statement of Activities and an increase of \$346,167 of deferred outflows of resources – District contributions subsequent to the measurement date.

**NOTE 19 SUBSEQUENT EVENTS**

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
<b>Assets</b>				
<b>Current:</b>				
Cash and cash equivalents	\$ -	\$ 151,519	\$ -	\$ 151,519
Total current	<u>\$ -</u>	<u>\$ 151,519</u>	<u>\$ -</u>	<u>\$ 151,519</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Invested in assets, net of debt	-	-	-	-
Restricted	-	151,519	-	151,519
Unrestricted	-	-	-	-
Total fund balances	<u>-</u>	<u>151,519</u>	<u>-</u>	<u>151,519</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 151,519</u>	<u>\$ -</u>	<u>\$ 151,519</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 943,421	\$ -	\$ 943,421
State sources	144,555	528,398	244,811	917,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	144,555	1,471,819	244,811	1,861,185
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Debt service:				
Principal	-	-	1,055,000	1,055,000
Interest	-	-	656,647	656,647
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	1,711,647	1,711,647
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	144,555	1,471,819	(1,466,836)	149,538
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	1,466,836	1,466,836
Operating transfers out	(144,555)	(1,471,819)	-	(1,616,374)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	(144,555)	(1,471,819)	1,466,836	(149,538)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2014	-	151,519	-	151,519
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2015	\$ -	\$ 151,519	\$ -	\$ 151,519
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2015**

	Original	Final		Variance With Final Budget Favorable
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 4,783,000	\$ 4,783,000	\$ 5,584,743	\$ 801,743
Earnings on investments	5,000	5,000	11,382	6,382
State sources	5,415,500	5,415,500	8,217,874	2,802,374
Other revenues	<u>100,471</u>	<u>100,471</u>	<u>137,121</u>	<u>36,650</u>
Total revenues	<u>10,303,971</u>	<u>10,303,971</u>	<u>13,951,120</u>	<u>3,647,149</u>
<b>Expenditures</b>				
Instruction	6,591,527	6,591,487	8,195,861	1,604,374
Student support services	565,717	565,757	649,529	83,772
Instruction staff support services	702,967	702,967	761,519	58,552
District administration	1,358,022	1,358,022	790,113	(567,909)
School administration	641,837	641,837	831,258	189,421
Business	173,605	173,605	256,687	83,082
Plant operation and maintenance	1,398,828	1,398,828	1,246,243	(152,585)
Student transportation	<u>871,468</u>	<u>871,468</u>	<u>812,334</u>	<u>(59,134)</u>
Total expenditures	<u>12,303,971</u>	<u>12,303,971</u>	<u>13,543,544</u>	<u>1,239,573</u>
Excess (deficit) of revenues over expenditures	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>407,576</u>	<u>2,407,576</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of bonds and capital leases	-	-	13,563	13,563
Operating transfers out	<u>-</u>	<u>-</u>	<u>(84,693)</u>	<u>(84,693)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(71,130)</u>	<u>(71,130)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,000,000)	(2,000,000)	336,446	2,336,446
Fund balance, July 1, 2014	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,224,791</u>	<u>224,791</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,561,237</u>	<u>\$ 2,561,237</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2015**

	<u>Original</u>	<u>Final</u>		<u>Variance With</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenues</b>				
State sources	\$ 335,514	\$ 355,132	\$ 311,931	\$ (43,201)
Federal sources	495,280	533,021	533,021	-
Total revenues	<u>830,794</u>	<u>888,153</u>	<u>844,952</u>	<u>(43,201)</u>
<b>Expenditures</b>				
Instruction	803,302	888,564	834,634	(53,930)
District administration	-	6,580	18,304	11,724
Student transportation	27,492	27,702	26,707	(995)
Total expenditures	<u>830,794</u>	<u>922,846</u>	<u>879,645</u>	<u>(43,201)</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(34,693)</u>	<u>(34,693)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	<u>-</u>	<u>34,693</u>	<u>34,693</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>34,693</u>	<u>34,693</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Construction Fund  
Year Ended June 30, 2015**

	Original	Final		Variance With
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	Final Budget
				Favorable
				<u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>4,232,406</u>	<u>4,232,406</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>4,232,406</u>	<u>4,232,406</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(4,232,406)</u>	<u>(4,232,406)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	<u>-</u>	<u>182,450</u>	<u>149,538</u>	<u>(32,912)</u>
Total other financing sources (uses)	<u>-</u>	<u>182,450</u>	<u>149,538</u>	<u>(32,912)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>182,450</u>	<u>(4,082,868)</u>	<u>(4,265,318)</u>
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>4,082,868</u>	<u>4,082,868</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ 182,450</u>	<u>\$ -</u>	<u>\$ (182,450)</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Bond and Interest Redemption Funds  
For the Year Ended June 30, 2015**

	<u>Issue of 2006</u>	<u>Issue of 2007</u>	<u>Issue of 2008R</u>	<u>Issue of 2009</u>	<u>Issue of 2010R</u>
<b>Cash at July 1, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	<u>791,592</u>	<u>165,769</u>	<u>118,781</u>	<u>209,598</u>	<u>78,767</u>
<b>Disbursements:</b>					
Bonds paid	445,000	100,000	105,000	130,000	60,000
Interest coupons	346,592	65,769	13,781	79,598	18,767
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	<u>791,592</u>	<u>165,769</u>	<u>118,781</u>	<u>209,598</u>	<u>78,767</u>
Excess of disbursements over receipts	-	-	-	-	-
<b>Cash at June 30, 2015</b>	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2011</u>	<u>Issue of 2012R</u>	<u>Issue of 2014</u>	<u>Issue of 2015</u>	<u>Total</u>
<b>Cash at July 1, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	<u>109,885</u>	<u>106,607</u>	<u>130,648</u>	-	<u>1,711,647</u>
<b>Disbursements:</b>					
Bonds paid	60,000	90,000	65,000	-	1,055,000
Interest coupons	49,885	16,607	65,648	-	656,647
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	<u>109,885</u>	<u>106,607</u>	<u>130,648</u>	-	<u>1,711,647</u>
Excess of disbursements over receipts	-	-	-	-	-
<b>Cash at June 30, 2015</b>	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Walton-Verona High School Activity Fund  
Year Ended June 30, 2015**

	<b>Fund Balance June 30, 2014</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2015</b>
100 Agriculture	\$ 585	\$ 1,514	\$ 904	\$ 1,195
105 Business fund	1,859	2,023	1,704	2,178
109 Reading	1,877	614	-	2,491
110 English	349	8,866	9,214	-
111 AP classes	53	1,721	1,598	177
120 Health	305	-	-	305
130 Family & con science	25	3,458	2,884	599
140 Math	3,155	-	2,354	801
150 Physical education	2,390	1,010	1,724	1,675
155 Wellness center	1,544	75	83	1,536
160 Science fund	4,672	3,013	2,127	5,558
170 Social studies	880	-	113	767
180 Spanish	98	145	239	4
185 Spanish club	118	131	100	149
190 Special education	14	-	-	14
195 Technology	3,558	4,605	3,555	4,607
200 Band	2,700	6,159	7,719	1,140
205 Band trip	55	9,396	6,839	2,612
230 Choral music	644	4,031	4,675	-
240 General music	109	80	50	139
270 Cashbox	-	2,000	2,000	-
300 Athletics	3,649	97,377	83,077	17,949
302 Golf	123	762	885	-
304 Girls golf	784	2,077	1,756	1,105
305 Volleyball	216	5,825	3,946	2,095
310 Alethic boosters	17,415	39,156	41,970	14,600
312 Intramural Volleyball	-	332	-	332
315 Girls soccer	1,879	2,075	2,593	1,361
317 Boys soccer	704	3,950	4,625	29
320 Baseball	5,067	20,432	21,348	4,151
325 Track	3,991	12,066	13,388	2,669
327 Softball	-	1,400	1,100	300
330 Cross country	1,618	12,903	11,125	3,396
335 Wrestling	-	5,110	5,110	-
337 Tennis	-	5,532	5,532	-
340 Football	4,574	13,055	15,873	1,755
350 Varsity cheer	16	3,865	2,763	1,118
351 Exercise equipment	649	-	-	649
370 Girls basketball	9	12,997	10,295	2,711
380 FCA	4	77	-	81
385 Toumament account	332	-	-	332
390 Basketball	2,271	11,824	13,077	1,018
405 Art fund	-	1,905	1,798	107
410 Beta club	2,293	1,218	147	3,364

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Walton-Verona High School Activity Fund (Continued)  
Year Ended June 30, 2015**

	<b>Fund Balance June 30, 2014</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
404 Advisory Board	\$ -	\$ 66	\$ -	\$ 66
415 FBLA	306	4,643	4,747	201
420 FFA	10,351	9,474	11,655	8,170
425 FCCLA	273	13,084	11,961	1,396
460 Y club	163	5,873	5,630	406
465 Wake up Walton	169	4,045	3,402	812
470 Drama	916	3,115	3,500	531
475 Theatre	54	5,851	5,029	876
481 G. L. O.W.	5	150	120	35
485 Bowling club	1	-	-	1
520 Junior class	9,283	4,280	6,123	7,440
525 Project prom	3,845	5,625	6,620	2,850
535 Senior class 2012/2013	231	6,849	6,349	730
600 Yearbook	12,557	8,650	3,120	18,087
610 Concession fund	2,228	1,050	1,630	1,648
612 School Climate fund	5,672	1,176	1,547	5,301
613 HS student council	1,049	-	-	1,049
615 General fund	13,017	7,709	12,246	8,480
616 MS general	77	-	-	77
620 Guidance fund	296	562	548	311
625 Library fines	386	23	186	223
627 Media	575	-	-	575
635 N. K. O. A.	154	100	253	1
638 Emergency assistance	718	-	-	718
640 Parking permit	3,561	1,160	-	4,721
645 Quest program	2,507	3,500	2,000	4,007
650 GSSP	310	215	215	310
660 Technology club	656	-	50	606
810 Textbooks	1,909	14,659	2,683	13,885
820 Workbooks	16,292	5,657	10,643	11,307
871 2013-2014 HS fees	18,689	31,058	43,650	6,097
880 APEX	19	-	-	19
887 Cappie Stephenson	3,013	-	250	2,763
888 WV Appreciation fund	597	500	500	597
890 Larry's Kids foundation	27,154	13,975	6,643	34,486
891 Larry's Kids foundation - CD	71,050	600	600	71,050
892 Evan Ryan scholarship - CD	40,000	-	-	40,000
893 Kendall Smith scholarship - CD	10,431	-	-	10,431
995 W. Hayes scholarship	840	-	420	420
996 Kendal Smith scholarship	1,139	2,586	1,000	2,725
997 Les Stephens scholarship	-	1,000	1,000	-
998 Evan Ryan memorial fund	384	1,616	2,000	-
999 Club scholarship	30	140	165	5
	<u>\$ 331,488</u>	<u>\$ 461,768</u>	<u>\$ 444,775</u>	<u>\$ 348,481</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
School Activity Funds  
Year Ended June 30, 2015**

	<u>Walton- Verona Middle School</u>	<u>Walton- Verona Elementary School</u>	<u>Total</u>
Fund balance at July 1, 2014	\$ 56,241	\$ 29,397	\$ 85,638
Add: receipts	96,232	30,498	126,730
Less: disbursements	<u>(82,338)</u>	<u>(31,021)</u>	<u>(113,359)</u>
Fund balance at June 30, 2015	<u>\$ 70,135</u>	<u>\$ 28,874</u>	<u>\$ 99,009</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of the District's Proportionate Share of the Net Pension Liability – KTRS**

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	45,246,643	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>\$ 45,246,643</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>
District's covered-employee payroll	\$ 6,892,833	\$ 6,621,340	\$ 6,334,890	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*Changes of benefit terms:* None

*Changes of assumption:* In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of District Contributions – KTRS**

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 161,896	\$ 109,295	\$ 72,600	\$ 38,260	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(161,896)</u>	<u>(109,295)</u>	<u>(72,600)</u>	<u>(38,260)</u>	*	*	*	*	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*	*	*	*	*	*
District's covered-employee payroll	\$ 6,937,804	\$ 6,892,833	\$ 6,621,340	\$ 6,334,890	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.33%	1.59%	1.10%	0.60%	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of the District's Proportionate Share of the Net Pension Liability – CERS**

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.083182%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 2,699,000	*	*	*	*	*	*	*	*	*
Total net pension liability	\$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 1,908,316	\$ 1,885,004	\$ 1,870,439	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.4%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*Changes of benefit terms:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tire for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

*Changes of assumption:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of District Contributions – CERS**

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 346,167	\$ 360,481	\$ 368,519	\$ 354,669	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(346,167)</u>	<u>(360,481)</u>	<u>(368,519)</u>	<u>(354,669)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 1,959,068	\$ 1,908,316	\$ 1,885,004	\$ 1,870,439	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	18.96%	*	*	*	*	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2015</u>
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 15	\$ 277,914
Special Education_Preschool Grants	84.173	3800002 15	23,792
Total Special Education Cluster			<u>301,706</u>
 Title I Grants to Local Educational Agencies	 84.010	 3100002 15	 143,234
Career and technical Education -Basic Grants to States	84.048	3710002 15	40,517
Title II Improving Teacher Quality State Grants	84.367	3230002 15	<u>47,564</u>
 <b>Total U.S. Department of Education</b>			 <u>533,021</u>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 14	61,284
National School Lunch Program	10.555	7750002 15	224,705
School Breakfast Program	10.553	7760005 14	17,529
School Breakfast Program	10.553	7760005 15	64,322
 <i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	<u>60,158</u>
 Total Child Nutrition Cluster			 427,998
 <b>Total U.S. Department of Agriculture</b>			 <u>427,998</u>
			<u><u>\$ 961,019</u></u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Walton-Verona Independent School District under programs of the federal government for the year ended June 30, 2015, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Walton-Verona Independent School 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 FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$60,158.

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

To the Members of the Board of Education  
Walton-Verona Independent School District  
Walton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walton-Verona Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Walton-Verona Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted other matters that we reported to management of the District in a separate letter dated November 13, 2015.

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

(Continued)

**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.

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2015

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

Members of the Board of Education  
Walton-Verona Independent School District  
Walton, Kentucky

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

We have audited Walton-Verona Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walton-Verona Independent School District's major federal programs for the year ended June 30, 2015. Walton-Verona Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Walton-Verona Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of Walton-Verona 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 Walton-Verona Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

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

**(Continued)**

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 Walton-Verona Independent School District's internal control over compliance.

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

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

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

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2015

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

***Identification of major programs***

CFDA No.	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

Reference Number	Summary of Findings	Status
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No matters are reportable

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments  
Year Ended June 30, 2015**

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2015, on the financial statements of the Walton-Verona Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable.

**ACTIVITY FUNDS**

**Walton-Verona High School**

No matters are reportable

**Walton-Verona Middle School**

No matters are reportable

**Walton-Verona Elementary School**

No matters are reportable

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable.

**ACTIVITY FUNDS**

**Walton-Verona High School**

No matters are reportable

**Walton-Verona Middle School**

No matters are reportable

**Walton-Verona Elementary School**

No matters are reportable