

**WASHINGTON COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2015

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison schedules for the General Fund and Special Revenue Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note Q to the financial statements, in 2015, the District adopted new accounting guidance, GASB *Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, and schedule of contributions 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 District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2015, on our consideration of the 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 District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 15, 2015

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Washington County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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 restated beginning fund governmental fund balance for the district was \$5,747,981 of which \$3,358,958 was the General Fund and \$2,389,028 was in the restricted funds of Capital Outlay, Building, District Activity and Construction funds. The ending governmental fund balance was \$4,964,597 of which \$3,713,402 was the General Fund the remaining \$1,251,195 was in the restricted funds of Capital Outlay, Building, District Activity and Construction funds.
- The General Fund ending cash balance at June 30, 2015 was \$4,236,586. Accounts receivable totaled \$106,184. Accounts payable and accrued salaries and benefit payable totaled \$629,368. The result is an unassigned fund balance of \$3,411,260, assigned fund balance \$150,966 and a committed fund balance of \$151,176. General Fund Revenues totaled \$13,438,279 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures total \$13,037,056 exclusive of inter-fund transfers of \$46,774. The expenditures include on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teachers' Retirement contributions.
- The first day of instruction in the new Washington County High School was January 5, 2015.
- GASB 68 was implemented for the financial statements presented. It requires the entire plan pension expense be allocated among the employers rather than what was actually paid. The result was
- Our District continues to look for outside funding sources through grants and other venues as a means of achieving our Career and College readiness goals.
- There was no new debt occurred during fiscal year 2015.

OVERVIEW OF FINANCIAL STATEMENTS

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

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

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

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

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

The district-wide financial statements can be found on the table of contents in this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$15,208,639 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

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

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

2015 District-Wide Governmental Net Position comparison is as follows:

**Table 1
Net Position (in Millions)**

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Percentage
	2014	2015	2014	2015	2014	2015	2014-2015
Assets:							
Current and Other Assets	7.20	6.13	0.31	0.32	7.51	6.45	-14%
Capital Assets	<u>31.80</u>	<u>31.75</u>	<u>0.06</u>	<u>0.06</u>	<u>31.86</u>	<u>31.81</u>	0%
Total Assets	<u>39.00</u>	<u>37.88</u>	<u>0.37</u>	<u>0.38</u>	<u>39.37</u>	<u>38.26</u>	-3%
Loss for the difference							
Pension contribution subsequent to measurement date	0.00	0.34	0.00	0.01	0.00	0.35	100%
Reacquisition and carrying value of refunding debt	<u>0.12</u>	<u>0.11</u>	<u>0.00</u>	<u>0.00</u>	<u>0.12</u>	<u>0.11</u>	-8%
	<u>0.12</u>	<u>0.45</u>	<u>0.00</u>	<u>0.01</u>	<u>0.12</u>	<u>0.46</u>	283%
Liabilities:							
Current Liabilities	2.61	2.30	0.04	0.04	2.65	2.34	-12%
Noncurrent Liabilities	<u>18.89</u>	<u>20.72</u>	<u>0.00</u>	<u>0.13</u>	<u>18.89</u>	<u>20.85</u>	10%
Total Liabilities	<u>21.50</u>	<u>23.02</u>	<u>0.04</u>	<u>0.17</u>	<u>21.54</u>	<u>23.19</u>	8%
Deferred Inflows		<u>0.31</u>		<u>0.01</u>	<u>0.00</u>	<u>0.33</u>	100%
Net Position:							
Invested in Capital Assets							
Net of Debt	12.61	13.29	0.06	0.06	12.67	13.35	5%
Restricted	2.69	1.54	0.27	0.15	2.96	1.69	-43%
Deficit	0.00	0.00	0.00	0.02	0.00	0.02	100%
Unrestricted Net Position	<u>2.32</u>	<u>0.16</u>	<u>0.00</u>	<u>0.00</u>	<u>2.32</u>	<u>0.16</u>	-93%
Total Net Position	<u>17.62</u>	<u>14.99</u>	<u>0.33</u>	<u>0.23</u>	<u>17.95</u>	<u>15.22</u>	-15%

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENTAL ACTIVITIES

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

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
	Revenues:						
Charges for services	\$ 0.18	\$ 0.07	\$ 0.38	\$ 0.33	\$ 0.56	\$ 0.40	-29%
Operating grants and contributions	1.96	4.44	0.81	0.84	2.77	5.28	91%
Capital grants and contributions	0.88	0.91	-	-	0.88	0.91	3%
General revenues	13.48	11.87	0.01	-	13.49	11.87	-12%
Total revenue	16.50	17.29	1.20	1.17	17.70	18.46	4%
Expenses:							
Instruction	8.26	8.95			8.26	8.95	8%
Student support	0.70	0.52			0.70	0.52	-26%
Instructional staff support	0.42	0.70			0.42	0.70	67%
District administration	0.79	0.86			0.79	0.86	9%
School administration	0.95	0.94			0.95	0.94	-1%
Business	0.62	0.69			0.62	0.69	11%
Plant operation & maintenance	1.27	1.26			1.27	1.26	-1%
Student transportation	0.65	0.82			0.65	0.82	26%
Community Services Operations	0.24	0.22			0.24	0.22	0%
Building improvements	0.21	0.67			0.21	0.67	100%
Amortization	0.02	0.01			0.02	0.01	100%
Depreciation	0.68	0.99	0.01	0.01	0.69	1.00	45%
Interest on long-term debt	0.58	0.56			0.58	0.56	-3%
Food Service Operations			1.08	1.06	1.08	1.06	-2%
Day care			0.12	0.11	0.12	0.11	-8%
Total Expenses	\$ 15.39	\$ 17.19	\$ 1.21	\$ 1.18	\$ 16.60	\$ 18.37	11%
Change in net position	\$ 1.11	\$ 0.10	\$ (0.01)	\$ (0.01)	\$ 1.10	\$ 0.09	92%

CAPITAL ASSETS

At the end of fiscal 2015, the District had \$31,817,857 invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a decrease (including additions and deductions) of \$39,101 from last year. The primary reason for the decrease is the Board approved to remove assets under \$5,000 that have been fully depreciated.

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Capital Assets at Year-End						
(Net of depreciation)						
	Governmental Activities		Business Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land	1,280,702	1,280,702	-	-	1,280,702	1,280,702
Land and Improvements	55,916	43,559	-	-	55,916	43,559
Buildings & Improvements	10,415,394	29,356,387	-	-	10,415,394	29,356,387
Technology Equipment	157,176	243,042	-	-	157,176	243,042
Vehicles	550,796	490,334	-	-	550,796	490,334
General Equipment	307,295	331,383	58,611	64,995	365,906	396,378
Construction In Progress	19,030,858	7,455	-	-	19,030,858	7,455

DEBT

The district has a total \$18,460,000 of bonds outstanding at June 30, 2014 with \$870,000 due within 1 year.

Outstanding Debt at Year-End				
(in Millions)				
			Government	
			Activities	
			2014	2015
Capital Lease Obligations	\$		\$	
General Obligation Bonds			19.32	18.46
Total Obligations	\$		19.32	\$ 18.46

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$3,713,402, which is \$354,449 greater than last year's fund balance of \$3,358,953. The unassigned portion of the fund balance at the end of fiscal year 2015 is \$3,411,260 compared to \$2,997,222 from the preceding year.

The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2015:

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

REVENUE	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	21	310	320	360	400	51
Local Revenue Sources	3,981,073	432,117			625,368	20,561		265,093
State Revenue Sources	9,457,206	800,272		150,618	502,760		253,097	119,710
Federal Revenue Sources	-	945,267						698,230
Other		-	62,976			12,638		
Transfers		46,774					1,170,614	
TOTALS	13,438,279	2,224,430	62,976	150,618	1,128,128	33,199	1,423,711	1,083,033
EXPENDITURES	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	21	310	320	360	400	51
Instruction	7,224,036	1,858,030	47,656					
Student Support Services	504,812	10,435						
Instructional Staff Support Services	627,361	74,543	7,642					
District Admin Support	816,338	48,998						
School Admin Support	938,755							
Business Support Services	624,159	59,865						
Plant Operation & Management	1,344,399	4,000	6,335			1,281,037		
Student Transportation	913,382							
Food Service Operations								1,074,094
Community Services	43,815	168,559						
Debt Service							1,423,711	
Site Improvement								
Transfers	46,774			151,019	1,019,595			
TOTALS	13,083,831	2,224,430	61,633	151,019	1,019,595	1,281,037	1,423,711	1,074,094
Excess / (Deficit)	354,448	-	1,343	(401)	108,533	(1,247,838)	-	8,939

*Note This chart does not include beginning balances.

GENERAL FUND BUDETARY HIGHLIGHTS

The overall budgeted revenues were within \$5,112 of the actual revenues received. Budgeted expenditures were reduced for a two day contract reduction for staff and an \$85,000 reduction in district technology. General fund expenditures were 82% of the final budget. Actual expenditures were lower than anticipated primarily due to continued conservative spending and the date the Board would start paying fixed costs related to the new high school. The unassigned fund balance for the general fund at the end of the fiscal year is \$3,411,260, an increase from the prior year of \$434,038. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26% of expenditures while total fund balance represents 28% of expenditures. This is a 15% increase unassigned fund balance and an 11% increase total fund balance.

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

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,777,446	\$ 284,145	\$ 6,061,591
Receivables (net)	353,538	6,821	360,358
Inventories		24,765	24,765
Land, improvements, and construction in progress	1,288,157		1,288,157
Other capital assets, net of depreciation	30,464,706	64,995	30,529,701
Total capital assets	31,752,863	64,995	31,817,858
Total assets	37,883,846	380,725	38,264,572
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	345,559	10,986	356,545
Deferred savings from refunding bonds	108,723		108,723
Total deferred outflows of resources	454,282	10,986	465,268
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	38,338,128	391,711	38,729,839
LIABILITIES			
Accounts payable and accrued expenses	39,623		39,623
Accrued salaries and benefit payable	670,427	40,241	710,668
Accrued interest payable	227,912		227,912
Unearned revenue	456,337		456,337
Long-term liabilities:			
Due within 1 year:			
Bond obligations	870,000		870,000
KSBIT payable	35,731		35,731
Total due within 1 year	905,731	-	905,731
Due in more than 1 year:			
Bond obligations	17,590,000		17,590,000
KSBIT payable	115,235		115,235
Sick leave	228,694		228,694
Net pension liability	2,791,237	129,763	2,921,000
Total due in more than 1 year	20,725,166	129,763	20,854,929
Total liabilities	23,025,196	170,004	23,195,200
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	311,518	14,482	326,000
NET POSITION			
Net Investment in capital assets	13,292,863	64,995	13,357,858
Restricted for:			
Other purposes	379,634		379,634
Capital projects	1,163,348		1,163,348
Food Services		144,790	144,790
Unrestricted	165,569		165,569
Deficit		(2,560)	(2,560)
Total net position	15,001,414	207,225	15,208,639
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 38,338,128	\$ 391,711	\$ 38,729,839

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 10,125,273	\$ 8,864	\$ 3,779,647		\$ (6,336,762)		\$ (6,336,762)
Support Services							
Student	521,563	65,809	159,375		(296,380)		(296,380)
Instructional Staff	695,282		212,458		(482,824)		(482,824)
District Administration	860,520		262,950		(597,570)		(597,570)
School Administration	938,729		286,848		(651,881)		(651,881)
Business	691,127		211,188		(479,939)		(479,939)
Plant Operation & Maintenance	1,258,139		384,451	653,378	(220,310)		(220,310)
Student Transportation	824,402		251,913		(572,489)		(572,489)
Community Services Operations	215,394		65,818		(149,576)		(149,576)
Building acquisitions	674,996				(674,996)		(674,996)
Amortization	15,532				(15,532)		(15,532)
Depreciation	992,384				(992,384)		(992,384)
Interest on general long-term debt	560,944			253,097	(307,848)		(307,848)
Total governmental activities	18,374,286	74,673	5,614,649	906,475	(11,778,490)		(11,778,490)
Business-type activities:							
Food service operations	1,063,868	258,699	817,940			\$ 12,770	12,770
Day care operations	106,922	75,954	24,536			(6,432)	(6,432)
Depreciation	10,226					(10,226)	(10,226)
Total business-type activities	1,181,016	334,652	842,476	-	-	(3,888)	(3,888)
Total primary government	\$ 19,555,302	\$ 409,325	\$ 6,457,125	\$ 906,475	(11,778,490)	(3,888)	(11,782,377)
General revenues:							
Taxes:							
Property taxes					3,075,300		3,075,300
Motor vehicle taxes					413,228		413,228
Franchise taxes					154,492		154,492
Utility taxes					741,314		741,314
State and formula grants					6,792,756		6,792,756
Other local revenue					511,258		511,258
Gain on retirement of capital assets					43,331		43,331
Unrestricted investment earnings					139,490	7,124	146,614
Total general revenues					11,871,171	7,124	11,878,295
Change in net position					92,681	3,236	95,917
Net position - beginning					17,617,927	333,478	17,951,405
Prior period adjustment 1					(2,785,343)	(129,489)	(2,914,832)
Prior period adjustment 2					76,149		76,149
Restated net position - beginning					14,908,732	203,989	15,112,722
Net position - ending					\$ 15,001,414	\$ 207,225	\$ 15,208,639

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 4,236,586	\$ 291,095	\$ -	\$ 1,249,765	\$ 5,777,446
Receivables, net					
Taxes-current	76,992				76,992
Taxes-delinquent	2,293				2,293
Accounts	26,899			1,430	28,329
Intergovernmental-federal		245,924			245,924
Total assets	4,342,770	537,019	-	1,251,195	6,130,983
LIABILITIES					
Accounts payable	39,424	199			39,623
Accrued salaries and benefit payable	589,944	80,483			670,427
Unearned revenue		456,337			456,337
Total liabilities	629,368	537,019	-	-	1,166,387
FUND BALANCE					
Nonspendable				7,907	7,907
Restricted				1,165,796	1,165,796
Committed	151,176			77,492	228,668
Assigned	150,966				150,966
Unassigned	3,411,260				3,411,260
Total fund balance	3,713,402	-	-	1,251,195	4,964,597
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,342,770	\$ 537,019	\$ -	\$ 1,251,195	\$ 6,130,983

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2015

Fund balances-total governmental funds	\$	4,964,597
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		31,752,863
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		108,723
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(227,912)
Bonds payable		(18,460,000)
KSBIT payable		(150,966)
Sick leave liability		(228,694)
Net pension liability		(2,791,237)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows of resources related to employer 2015 contributions to pensions		345,559
Deferred inflows of resources related to pensions		(311,518)
		(311,518)
Net position of governmental activities	\$	15,001,414

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From Local Sources					
Taxes					
Property	\$ 2,449,932	\$ -	\$ -	\$ 625,368	\$ 3,075,300
Motor vehicle	413,228				413,228
Franchise	154,492				154,492
Utilities	741,314				741,314
Transportation	25,997				25,997
Tuition		8,864			8,864
Earnings on investments	117,335	573		21,583	139,490
Student activities		2,833		62,976	65,809
Other local revenue	78,774	419,847		12,638	511,258
Intergovernmental - state	9,457,206	800,272	253,097	653,378	11,163,952
Intergovernmental - federal		945,267			945,267
Total revenues	<u>13,438,279</u>	<u>2,177,655</u>	<u>253,097</u>	<u>1,375,943</u>	<u>17,244,974</u>
EXPENDITURES					
Instruction	7,224,036	1,858,030		47,656	9,129,722
Support Services					
Student	504,812	10,435		7,642	522,888
Instructional Staff	627,361	74,543			701,904
District Administration	816,338	48,998			865,335
School Administration	938,755				938,755
Business	624,159	59,865			684,024
Plant Operation & Maintenance	1,344,399	4,000		6,335	1,354,734
Student Transportation	913,382				913,382
Community Services Operations	43,815	168,559		493	212,867
Building acquisitions & construction				1,281,037	1,281,037
Debt Service			1,423,710		1,423,710
Total expenditures	<u>13,037,056</u>	<u>2,224,429</u>	<u>1,423,710</u>	<u>1,343,163</u>	<u>18,028,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	401,223	(46,774)	(1,170,614)	32,780	(783,385)
OTHER FINANCING SOURCES (USES)					
Operating transfers in		46,774	1,170,614		1,217,388
Operating transfers (out)	(46,774)			(1,170,614)	(1,217,388)
Total other financing sources and (uses)	<u>(46,774)</u>	<u>46,774</u>	<u>1,170,614</u>	<u>(1,170,614)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	354,449	-	-	(1,137,833)	(783,385)
FUND BALANCE-BEGINNING	3,358,953	-	-	2,312,880	5,671,833
Prior Period Adjustment				76,149	76,149
Restated Fund Balance-Beginning	<u>3,358,953</u>	<u>-</u>	<u>-</u>	<u>2,389,028</u>	<u>5,747,981</u>
FUND BALANCE-ENDING	<u>\$ 3,713,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,195</u>	<u>\$ 4,964,597</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 Year ended June 30, 2015

Net change in fund balances-total governmental funds	\$	(783,385)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		28,147
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		(45,274)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(15,532)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		855,000
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		7,766
KSBIT payable		60,893
Noncurrent sick leave payable		(14,933)
		92,681
Change in net position of governmental activities	\$	92,681

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 2,502,000	\$ 2,502,000	\$ 2,449,932	\$ (52,068)
Motor vehicle	385,000	385,000	413,228	28,228
Franchise	130,000	130,000	154,492	24,492
Utilities	740,000	740,000	741,314	1,314
Transportation	21,600	21,600	25,997	4,397
Earnings on investments	120,000	120,000	117,335	(2,665)
Other local revenue	95,000	95,000	78,774	(16,226)
Intergovernmental - state	9,546,716	9,439,567	9,457,206	17,639
Total revenues	<u>13,540,316</u>	<u>13,433,167</u>	<u>13,438,279</u>	<u>5,112</u>
EXPENDITURES				
Instruction	9,179,760	9,359,423	7,224,036	2,135,387
Support Services				
Student	717,832	522,149	504,812	17,337
Instructional Staff	595,776	598,076	627,361	(29,285)
District Administration	810,465	810,465	816,338	(5,873)
School Administration	950,058	964,013	938,755	25,258
Business	586,221	586,221	624,159	(37,938)
Plant Operation & Maintenance	1,485,205	1,485,205	1,344,399	140,806
Student Transportation	978,882	982,177	913,382	68,795
Community Services	39,433	39,433	43,815	(4,382)
Total expenditures	<u>15,343,632</u>	<u>15,347,162</u>	<u>13,037,056</u>	<u>2,310,106</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(1,803,316)	(1,913,995)	401,223	2,315,218
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(50,200)	(50,200)	(46,774)	3,426
Total other financing sources and (uses)	<u>(50,200)</u>	<u>(50,200)</u>	<u>(46,774)</u>	<u>3,426</u>
NET CHANGE IN FUND BALANCE	(1,853,516)	(1,964,195)	354,449	2,318,644
FUND BALANCE-BEGINNING	<u>3,012,186</u>	<u>3,012,186</u>	<u>3,358,953</u>	<u>346,767</u>
FUND BALANCE-ENDING	<u>\$ 1,158,670</u>	<u>\$ 1,047,991</u>	<u>\$ 3,713,402</u>	<u>\$ 2,665,411</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Tuition	\$ -	\$ 8,854	\$ 8,864	\$ 10
Earnings on investments	400	400	573	173
Student activities	4,627	7,372	2,833	(4,539)
Other local revenue	375,895	407,562	419,847	12,285
Intergovernmental - state	499,464	747,971	800,272	52,300
Intergovernmental - federal	1,161,359	1,159,287	945,267	(214,020)
Total revenues	<u>2,041,745</u>	<u>2,331,446</u>	<u>2,177,655</u>	<u>(153,790)</u>
EXPENDITURES				
Instruction	1,764,153	2,036,568	1,858,030	178,537
Support Services				
Student	12,000	13,616	10,435	3,181
Instructional Staff	85,098	90,497	74,543	15,955
District Administration	15,000	14,917	48,998	(34,081)
Business	53,148	51,612	59,865	(8,253)
Plant Operation & Maintenance			4,000	(4,000)
Community Services Operations	162,546	169,081	168,559	522
Total expenditures	<u>2,091,945</u>	<u>2,376,291</u>	<u>2,224,429</u>	<u>151,862</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(50,200)	(44,845)	(46,774)	(1,929)
OTHER FINANCING SOURCES (USES)				
Operating transfers in/out	50,200	42,100	46,774	4,674
Total other financing sources and (uses)	<u>50,200</u>	<u>42,100</u>	<u>46,774</u>	<u>4,674</u>
NET CHANGE IN FUND BALANCE	-	(2,745)	-	2,745
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (2,745)</u>	<u>\$ -</u>	<u>\$ 2,745</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 258,677	\$ 25,468	\$ 284,145
Receivables	6,821		6,821
Inventories	24,765		24,765
Capital assets:			
Other capital assets, net of depreciation	64,995		64,995
Total assets	355,257	25,468	380,725
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	9,228	1,758	10,986
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	364,485	27,226	391,711
LIABILITIES			
Accrued salaries and benefits payable	33,534	6,707	40,241
Net pension liability	109,001	20,762	129,763
Total liabilities	142,535	27,469	170,004
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	12,165	2,317	14,482
NET POSITION			
Net Investment in capital assets	64,995	-	64,995
Restricted for:			
Expendable restricted for food service	144,790		144,790
Deficit		(2,560)	(2,560)
Total net position	209,785	(2,560)	207,225
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 364,485	\$ 27,226	\$ 391,711

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2015

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 258,699	\$ -	\$ 258,699
Tuition		75,954	75,954
Total operating revenues	258,699	75,954	334,652
OPERATING EXPENSES			
Depreciation	10,226		10,226
Food service operations			
Salaries and benefits	450,700		450,700
Operational	613,168		613,168
Day care operations			
Salaries and benefits		82,916	82,916
Operational		24,005	24,005
Total operating expenses	1,074,094	106,922	1,181,016
Operating income (loss)	(815,395)	(30,968)	(846,364)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	698,230		698,230
State grants	119,710	24,536	144,246
Earnings from investments	6,394	730	7,124
Total nonoperating revenues	824,334	25,266	849,599
CHANGE IN NET POSITION	8,938	(5,702)	3,236
NET POSITION-BEGINNING	309,617	23,861	333,478
Prior Period Adjustment	(108,771)	(20,718)	(129,489)
RESTATED NET POSITION-BEGINNING	200,846	3,143	203,989
NET POSITION-ENDING	\$ 209,785	\$ (2,560)	\$ 207,225

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year ended June 30, 2015

Enterprise Funds

	School Food Services	Other Proprietary Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 258,699	\$ 75,954	\$ 334,652
Payments to suppliers	(609,225)	(17,805)	(627,030)
Payments to employees	(450,700)	(82,916)	(533,617)
Net cash provided (used) by operating activities	<u>(801,226)</u>	<u>(24,768)</u>	<u>(825,994)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	(16,399)		(16,399)
Pension costs	3,167	603	3,770
Operating grants and contributions	817,940	24,536	842,476
Net cash provided (used) by noncapital financing activities	<u>804,708</u>	<u>25,139</u>	<u>829,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	6,394	730	7,124
Net cash provided (used) by investing activities	<u>6,394</u>	<u>730</u>	<u>7,124</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,875	1,101	10,976
CASH AND CASH EQUIVALENTS-BEGINNING	<u>248,801</u>	<u>24,367</u>	<u>273,169</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 258,677</u>	<u>\$ 25,468</u>	<u>\$ 284,145</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (815,395)	\$ (30,968)	\$ (846,364)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	10,226	-	10,226
Changes in assets and liabilities:			
Receivables	2,863	1,649	4,511
Inventories	624		624
Payroll accruals	474	4,552	5,026
Account payable	(17)		(17)
Net cash used by operating activities	<u>\$ (801,226)</u>	<u>\$ (24,768)</u>	<u>\$ (825,994)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$65,541 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$109,683 for school food services and \$21,386 for other proprietary fund which is by state government.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>School Activity Fund</u>	<u>Private Purpose Trust</u>	<u>Fiduciary Fund</u>
ASSETS			
Cash and cash equivalents	\$ 82,819	\$ 19,895	\$ 102,714
Total Assets	<u>82,819</u>	<u>19,895</u>	<u>102,714</u>
LIABILITIES			
Accounts payable	5,114	-	5,114
Due to student groups	<u>77,705</u>	<u>-</u>	<u>77,705</u>
Total Liabilities	<u>82,819</u>	<u>-</u>	<u>82,819</u>
NET POSITION HELD IN TRUST	<u>-</u>	<u>19,895</u>	<u>19,895</u>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	<u>\$ 82,819</u>	<u>\$ 19,895</u>	<u>\$ 102,714</u>

See accompanying notes to the financial statements.

Washington County School District
Statement of Changes in Net Position
Fiduciary Funds
Year ended June 30, 2015

		<u>Private Purpose Trust</u>
Additions		
Trust activities	\$	493
Deductions		
Benefits paid		<u>2,300</u>
Decrease in net position		(1,807)
Net position, beginning		<u>21,702</u>
Net position, ending	\$	<u><u>19,895</u></u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

Washington County Board Of Education Finance Corporation

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

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) District Activity Fund

The Special Revenue (District Activity) Fund is a district activity fund at the school level. It includes yearbook sales, picture sales, student fees and donations.

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(E) Debt Service Fund

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

(F) Permanent Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(B) Child Care Fund

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

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.589 (including exonerations) per \$100 valuation of real property, \$.589 per \$100 valuation for business personal property and \$.55 per \$100 valuation for motor vehicles.

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

Interfund Balances

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

Budgetary Process

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

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

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

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

Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inventories

On government-wide financial statements, including the proprietary fund, inventories are stated at cost on the first-in, first-out basis, using the accrual method of accounting.

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

Prepaid Assets

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

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

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unassigned Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

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

Net Position

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

Operating and Non-Operating Revenues and Expenses

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

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

Contributions of Capital

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

Interfund Activity

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Estimates

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

New Accounting Pronouncements

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.

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Bank Balance
		<u>Demand</u>
<u>Springfield State Bank</u>		
FDIC	\$	250,000
Securities pledged to district		<u>6,652,012</u>
Bank balance	\$	<u><u>6,902,012</u></u>

		Book Balance
		<u>Cash and equivalents</u>
Governmental Activities	\$	5,777,446
Business-type Activities		284,145
Fiduciary Funds		19,895
School Activity Funds		<u>82,819</u>
Total carrying amount	\$	<u><u>6,164,305</u></u>

The Permanent Fund holds cash and cash equivalents in the amount of \$10,355 in a money market account held by Edward Jones.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, Special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 1,280,702	\$ -	\$ -	\$ 1,280,702
Land improvements	481,972	-	30,394	451,579
Buildings	16,209,091	19,629,444	-	35,838,535
Technology equipment	1,284,423	130,477	579,925	834,974
Vehicles	1,999,075	93,150	-	2,092,225
General equipment	787,211	74,111	107,020	754,303
Construction in progress	<u>19,030,858</u>	<u>827,028</u>	<u>19,850,432</u>	<u>7,455</u>
Total at historical cost	\$ <u>41,073,333</u>	\$ <u>20,754,210</u>	\$ <u>20,567,770</u>	\$ <u>41,259,773</u>
Less: Accumulated depreciation				
Land improvements	\$ 426,057	\$ 12,357	\$ 30,394	\$ 408,020
Buildings	5,793,697	688,452	-	6,482,148
Technology equipment	1,127,247	129,734	665,049	591,932
Vehicles	1,448,279	111,540	(42,072)	1,601,891
General equipment	<u>479,917</u>	<u>50,302</u>	<u>107,299</u>	<u>422,920</u>
Total accumulated depreciation	\$ <u>9,275,196</u>	\$ <u>992,384</u>	\$ <u>760,669</u>	\$ <u>9,506,911</u>
Governmental Activities				
Capital Assets-net	\$ <u>31,798,137</u>	\$ <u>19,761,827</u>	\$ <u>19,807,101</u>	\$ <u>31,752,863</u>
<u>Business-Type Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Technology equipment	\$ 1,796	\$ -	\$ 1,796	\$ -
General equipment	<u>316,682</u>	<u>16,399</u>	<u>114,690</u>	<u>218,391</u>
Total at historical cost	\$ <u>318,478</u>	\$ <u>16,399</u>	\$ <u>116,486</u>	\$ <u>218,391</u>
Less: Accumulated depreciation				
Technology equipment	\$ 1,796	\$ -	\$ 1,796	\$ -
General equipment	<u>257,860</u>	<u>10,226</u>	<u>114,690</u>	<u>153,397</u>
Total accumulated depreciation	\$ <u>259,656</u>	\$ <u>10,226</u>	\$ <u>116,486</u>	\$ <u>153,397</u>
Business-Type Activities				
Capital Assets-net	\$ <u>58,822</u>	\$ <u>6,173</u>	\$ -	\$ <u>64,995</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Washington County School District Finance Corporation aggregating \$18,460,000 and \$870,000 is the portion due within one year.

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

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2015 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2014</u>			<u>2015</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2008A	\$ 3,910,000	8/1/2023	2.5 - 3.25%	\$ 3,000,000	\$ -	\$ 225,000	\$ 2,775,000
2008B	795,000	8/1/2016	2.3 - 2.75%	280,000	-	90,000.00	190,000
2012	15,185,000	8/1/2032	2.0 - 3.5%	14,780,000	-	415,000.00	14,365,000
2013R	\$ 1,390,000	12/1/2023	1.3%	1,255,000	-	125,000.00	1,130,000
Totals				<u>\$ 19,315,000</u>	<u>\$ -</u>	<u>\$ 855,000</u>	<u>\$ 18,460,000</u>

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service, (principal and interest) are as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL</u>	<u>INTEREST</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>TOTAL</u>
2016	\$ 679,984	\$ 485,467	\$ 190,016	\$ 63,079	\$ 870,000	\$ 548,546
2017	704,657	468,824	190,343	58,828	895,000	527,653
2018	714,648	451,295	150,352	55,199	865,000	506,494
2019	732,736	433,026	147,264	52,283	880,000	485,309
2020	754,495	412,306	135,505	49,215	890,000	461,521
2021-2025	4,164,116	1,690,539	670,884	194,730	4,835,000	1,885,269
2026-2030	4,917,426	989,967	572,574	109,234	5,490,000	1,099,201
2031-2033	3,376,186	179,683	358,814	17,924	3,735,000	197,606
	<u>\$ 16,044,248</u>	<u>\$ 5,111,106</u>	<u>\$ 2,415,752</u>	<u>\$ 600,492</u>	<u>\$ 18,460,000</u>	<u>\$ 5,711,599</u>

NOTE E – OTHER LONG TERM OBLIGATIONS

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. The activity during fiscal year 2015 for accumulated sick leave is as follows:

	<u>2014</u>			<u>2015</u>	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
Sick Leave	\$ 213,761	\$ 14,933	\$ -	\$ 228,694	
Totals	<u>\$ 213,761</u>	<u>\$ 14,933</u>	<u>\$ -</u>	<u>\$ 228,694</u>	

The District elected to take advantage of the 0% interest option repayment plan for the worker’s compensation and property and liability insurance deficit with the now defunct Kentucky School Board Insurance Trust. The repayment plan required the District to pay 25% of the worker’s compensation deficit during fiscal year 2015 with the remaining balance to be repaid over the next six years, and to pay 40% of the property and liability deficit during fiscal year 2015 with the remaining balance to be repaid over the next two years. The activity during fiscal year 2015 for the worker’s compensation and property and liability deficit are as follows:

<u>Insurance Fund</u>	<u>2014</u>			<u>2015</u>	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
Worker's Compensation	\$ 159,007		\$ 39,752	\$ 119,255	
Property and Liability	52,852		21,141	31,711	
Totals	<u>\$ 211,859</u>	<u>\$ -</u>	<u>\$ 60,893</u>	<u>\$ 150,966</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The minimum payments are as follows:

Fiscal Year	
Ended June 30,	
	<u>Payment</u>
2016 \$	35,731
2017	35,731
2018	19,876
2019	19,876
2020	19,876
2021	<u>19,876</u>
Total	<u>\$ 150,966</u>

NOTE F – 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 (“CERS”)

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
	Reduced retirement	Or age 57+ and sum of service years plus age equal 87
		At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 non-service-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

		<u>Required contribution</u>
Tier	1	5%
Tier	2	5% + 1% for insurance
Tier	3	5% + 1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

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 (KTRS)—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.

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.

NOTES TO THE FINANCIAL STATEMENTS (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 (KRS). 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 CERS net pension liability	\$	2,921,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the district		<u>46,336,988</u>
	\$	<u><u>49,257,988</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, 2015, the District's proportion was .090032% (percent).

For the year ended June 30, 2015, the District recognized pension expense of \$332,168 related to CERS and \$3,944,725 related to KTRS. The District also recognized revenue of \$3,944,725 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		326,000
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	<u>356,545</u>	
	\$ <u>356,545</u>	\$ <u>326,000</u>

\$356,545 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:

	<u>Year Ended June 30,</u>
2016	\$ 71,309
2017	71,309
2018	71,309
2019	71,309
2020	<u>71,309</u>
	\$ <u>356,545</u>

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<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 & 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.

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 investment consultant, are summarized in the following table:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

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.

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:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share			
of net pension liability	3,297,874	2,921,000	2,544,074
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 G – COMMITMENTS

The District has committed \$114,347 in the general fund for future payouts for accrued sick leave, \$36,829 for site base carryforward, \$77,492 for District Activity Fund and made commitments of \$199,035 for future construction projects.

NOTE H – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 546,757	Future Construction
Capital Outlay	75,183	School Facilities Construction Commission
FSPK	541,409	School Facilities Construction Commission
Permanent	2,448	Trust Purpose
Food Service	\$ 144,790	Food Service Operations

NOTE I - CONTINGENCIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE J - LITIGATION

The District currently has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate except materialman lien claims for contract proceeds pursuant to KRS 376.210 in connection with construction of the new high school.

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

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

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

NOTE M – DEFICIT FUND AND OPERATING BALANCES

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

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Construction Fund	\$ (1,247,838)
Capital Outlay	(401)
Private Purpose Trust	(1,807)
Day Care Fund	\$ (5,702)

NOTE N - COBRA

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Reason</u>
Operating	General Fund	Special Revenue Fund	\$ 36,149	KETS Matching
Operating	General Fund	Special Revenue Fund	10,625	Grant Matching
Debt Service	Capital Outlay Fund	Debt Service Fund	151,019	Debt Payments
Debt Service	FSPK Fund	Debt Service Fund	\$ 1,019,595	Debt Payments

NOTE P – ON-BEHALF PAYMENTS

For fiscal year 2015, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 Schedule A)	\$ 1,091,944
Health Insurance	1,559,411
Life Insurance	2,952
Administrative Fee	20,284
HRA/Dental/Vision	116,638
Federal Reimbursement	(80,809)
Technology	55,642
SFCC Debt Service Payments	<u>253,097</u>
Total	\$ <u><u>3,019,158</u></u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE Q – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

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 \$2,914,832 reduction in beginning net position on the Statement of Activities and an increase of \$390,168 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE R - PRIOR PERIOD ADJUSTMENT

Due to new Redbook Regulations, the District moved School Activity funds to the District Activity Fund; therefore, fund balance and net position were understated as follows:

	Governmental	Business-Type	
	Activities	Activities/ Proprietary Fund	Total
Net Position July 1, 2014	\$ 17,617,927	\$ 333,478	\$ 17,951,405
Prior Period Adjustment 1 (See Note Q)	(2,785,343)	(129,489)	(2,914,832)
Prior Period Adjustment 2	76,149		76,149
Restated Net Position July 1, 2014	<u>\$ 14,908,732</u>	<u>\$ 203,989</u>	<u>\$ 15,112,722</u>
	District Activity		
	Fund		
Fund Balance July 1, 2014	\$ -		
Prior Period Adjustment	76,149		
Restated Fund Balance July 1, 2014	<u>\$ 76,149</u>		

NOTE S – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2015, the date of the audit report.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.0900%
District's proportionate share of the net pension liability	\$ 2,921,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 2,921,000
District's covered-employee payroll	\$ 2,077,876
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.58%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.226%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	46,336,988
Total	\$ 46,336,988
District's covered-employee payroll	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

	2015	2014
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 356,545	\$ 390,143
Contributions in relation to the contractually required contribution	356,545	390,143
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 2,017,799	\$ 2,065,345
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.67%	18.89%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the accompanying notes to the required supplementary information.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2015

Changes of benefit terms - None

Changes of assumptions - None

WASHINGTON COUNTY SCHOOL DISTRICT
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

Other Governmental Funds

	<u>Capital Outlay</u>	<u>FSPK</u>	<u>District Activity</u>	<u>Construction</u>	<u>Permanent</u>	<u>Total</u>
Assets						
Cash and Cash Equivalents	\$ 75,183	\$ 541,409	\$ 76,062	\$ 546,757	\$ 10,355	\$ 1,249,765
Accounts receivable						
Accounts			1,430			1,430
Total Assets	<u>75,183</u>	<u>541,409</u>	<u>77,492</u>	<u>546,757</u>	<u>10,355</u>	<u>1,251,195</u>
Fund Balances						
Nonspendable					7,907	7,907
Restricted	75,183	541,409		546,757	2,448	1,165,796
Committed			77,492			77,492
Total Fund Balances	<u>\$ 75,183</u>	<u>\$ 541,409</u>	<u>\$ 77,492</u>	<u>\$ 546,757</u>	<u>\$ 10,355</u>	<u>\$ 1,251,195</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 Year ended June 30, 2015

	Other Governmental Funds					
	<u>Capital Outlay</u>	<u>FSPK</u>	<u>District Activity</u>	<u>Construction</u>	<u>Permanent</u>	<u>Total</u>
Revenues						
From Local Sources						
Taxes						
Property	\$ -	\$ 625,368	\$ -	\$ -	\$ -	\$ 625,368
Student activities			62,976			62,976
Earnings from investments				20,561	528.71	21,090
Other local revenue				12,638		12,638
Intergovernmental - State	150,618	502,760				653,378
Total Revenues	<u>150,618</u>	<u>1,128,128</u>	<u>62,976</u>	<u>33,199</u>	<u>528.71</u>	<u>1,375,450</u>
Expenditures						
Instruction			47,656			47,656
Support Services						
Instructional Staff			7,642			7,642
Plant Operations & Maintenance			6,335			6,335
Building Acquisitions & Construction				1,281,037		1,281,037
Total Expenditures	<u>-</u>	<u>-</u>	<u>61,632</u>	<u>1,281,037</u>	<u>-</u>	<u>1,342,669</u>
Excess (Deficit) of Revenues Over Expenditures	<u>150,618</u>	<u>1,128,128</u>	<u>1,343</u>	<u>(1,247,838)</u>	<u>528.71</u>	<u>32,780</u>
Other Financing Sources (Uses)						
Transfers (Out)	(151,019)	(1,019,595)				(1,170,614)
Total Other Financing Sources (Uses)	<u>(151,019)</u>	<u>(1,019,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,170,614)</u>
Net change in fund balances	(401)	108,533	1,343	(1,247,838)	528.71	(1,137,833)
Fund Balance Beginning	75,583	432,876	-	1,794,595	9,825.86	2,312,880
Prior Period Adjustment			76,149			76,149
Restated Fund Balance Beginning	<u>75,583</u>	<u>432,876</u>	<u>76,149</u>	<u>1,794,595</u>	<u>9,825.86</u>	<u>2,389,028</u>
Fund Balance ending	<u>\$ 75,183</u>	<u>\$ 541,409</u>	<u>\$ 77,492</u>	<u>\$ 546,757</u>	<u>\$ 10,354.57</u>	<u>\$ 1,251,195</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Balance Sheet of Fiduciary Funds- School Activity and Private Purpose Trust
 June 30, 2015

	SCHOOL ACTIVITY FUNDS						
	WASHINGTON COUNTY HIGH SCHOOL	WASHINGTON CO HIGH CHARITABLE GAMING	WASHINGTON COUNTY MIDDLE SCHOOL	WASHINGTON COUNTY ELEMENTARY	NORTH WASHINGTON ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
ASSETS							
Cash and cash equivalents	\$ 47,970	\$ 269	\$ 5,541	\$ 16,546	\$ 12,493	\$ 19,895	\$ 102,714
Total Assets	<u>47,970</u>	<u>269</u>	<u>5,541</u>	<u>16,546</u>	<u>12,493</u>	<u>19,895</u>	<u>102,714</u>
LIABILITIES							
Accounts payable	4,818		-	-	296	-	5,114
Total Liabilities	<u>4,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296</u>	<u>-</u>	<u>5,114</u>
FUND BALANCE							
Scholarships						19,895	19,895
School Activities	43,152	269	5,541	16,546	12,197		77,705
Total Fund Balance	<u>43,152</u>	<u>269</u>	<u>5,541</u>	<u>16,546</u>	<u>12,197</u>	<u>19,895</u>	<u>97,600</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>47,970</u>	\$ <u>269</u>	\$ <u>5,541</u>	\$ <u>16,546</u>	\$ <u>12,493</u>	\$ <u>19,895</u>	\$ <u>102,714</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity and Private Purpose Trust
 Year ended June 30, 2015

SCHOOL ACTIVITY FUNDS

	WASHINGTON COUNTY HIGH SCHOOL	WASHINGTON CO HIGH CHARITABLE GAMING	WASHINGTON COUNTY MIDDLE SCHOOL	WASHINGTON COUNTY ELEMENTARY	NORTH WASHINGTON ELEMENTARY	PRIVATE PURPOSE TRUST	FIDUCIARY FUND TOTALS
REVENUES							
Student revenues	\$ 175,172	\$ 4,471	\$ 45,046	\$ 9,640	\$ 43,504	\$ -	\$ 277,833
Community services	-					493	493
Total revenues	<u>175,172</u>	<u>4,471</u>	<u>45,046</u>	<u>9,640</u>	<u>43,504</u>	<u>493</u>	<u>278,326</u>
EXPENDITURES							
Student activities	157,384	5,711	43,114	9,570	44,057	-	259,835
Community services						2,300	2,300
Total expenditures	<u>157,384</u>	<u>5,711</u>	<u>43,114</u>	<u>9,570</u>	<u>44,057</u>	<u>2,300</u>	<u>262,135</u>
Excess (Deficit) of Revenues Over Expenses	17,788	(1,239)	1,932	71	(553)	(1,807)	16,191
FUND BALANCE-BEGINNING	77,397	1,508	7,127	26,036	23,787	21,702	157,557
Prior Period Adjustment	(52,033)	-	(3,518)	(9,561)	(11,037)	-	(76,149)
RESTATED FUND BALANCE-BEGINNING	<u>25,364</u>	<u>1,508</u>	<u>3,609</u>	<u>16,475</u>	<u>12,750</u>	<u>21,702</u>	<u>81,409</u>
FUND BALANCE-ENDING	<u>\$ 43,152</u>	<u>\$ 269</u>	<u>\$ 5,541</u>	<u>\$ 16,546</u>	<u>\$ 12,197</u>	<u>\$ 19,895</u>	<u>\$ 97,600</u>

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Balance - Washington County High School
Year ended June 30, 2015

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 1,573	\$ 1,431	\$ (120)	\$ (3,124)	\$ -
FIELD TRIPS	-	-	630	800	170
ACADEMIC TEAM	477	-	47	-	430
SENIOR REWARDS TRIP	-	-	-	-	-
19th DISTRICT VOLLEY	-	-	-	-	-
AP CLASSES	3,358	7,253	-	(10,611)	-
STLP	1,367	150	1,048	(100)	369
COMMANDER CUSTOMS (STLP)	-	340	600	500	240
FEES/FT/GRADUATION/D	2,661	1,251	-	(3,912)	-
JOBS	77	-	-	-	77
TEXTBOOKS FEES	7,701	3,230	20	(10,911)	-
LOCKER FEES	12,915	2,060	10	(14,965)	-
CONCESSIONS	2,500	7,837	4,634	(5,650)	53
FACULTY	228	1,027	801	-	454
FFA-MCBRIDE MEMORIA	410	-	-	(410)	-
RESOURCE ROOM	159	-	-	-	159
FRYSC	672	-	-	(672)	-
FCA	157	54	134	-	77
BETA CLUB	619	920	711	-	828
DRAMA CLUB	1,235	200	448	-	987
FFA	1,041	16,862	15,013	220	3,109
FCCLA	937	32,644	31,698	(320)	1,564
FACS	-	1,145	-	(1,145)	-
PEP CLUB	449	-	-	-	449
PROJECT GRADUATION	817	-	817	-	-
SPANISH/WORLD LANGUAGE	917	-	-	-	917
SPORTMANSCLUB	47	90	-	-	137
NHS	110	125	152	-	83
STUDENT COUNCIL	1,456	-	366	-	1,090
GREENHOUSE	4,754	10,123	7,905	-	6,973
ART	408	1,033	-	(1,441)	-
NATL ART HONOR SOCIETY	218	-	-	-	218
MCBRIDE ART DONATION	400	-	-	(400)	-
BAND	24	-	-	-	24
ATHLETIC	4,878	10,900	17,259	2,950	1,469
SOFTBALL	391	2,075	1,910	(200)	356
BOYS GOLF	139	-	138	-	1
BOYS BASKETBALL	1,361	6,735	6,321	(500)	1,276
BOYS BASKETBALL DONATION	200	10	-	500	710
GIRLS BASKETBALL	-	1,770	1,700	-	70
BASEBALL	527	3,098	3,354	-	271
CHEERLEADERS	276	12,643	11,535	(80)	1,305
VOLLEYBALL	2,814	10,104	8,704	700	4,914
VOLLEYBALL CONCESSIONS	-	4,650	2,694	642	2,598
VOLLEYBALL DONATION	331	-	216	-	115
2014 8TH GRADE TOURNEY	2,465	-	1,823	(642)	-
VB TOURNAMENT OFFICIALS	-	725	725	-	-
FOOTBALL	-	223	26	250	447
TRACK	148	780	755	-	173
BASS FISHING	625	1,873	1,523	-	976
SOCCER	458	-	-	-	458
ARCHERY	356	100	213	-	243
TENNIS	-	90	-	-	90
PROM	2,284	4,605	5,584	(400)	906
LIBRARY	4,412	6,045	5,608	(4,849)	-
YEARBOOK	8,046	5,810	5,587	-	8,268
DISTRICT GENERAL ACT	-	2,646	4,950	2,404	100
DISTRICT LIBRARY ACCT	-	880	5,729	4,849	-
DISTRICT LOCKER FEES ACT	-	70	15,035	14,965	-
DISTRICT PARKING FEES ACT	-	870	4,782	3,912	-
DISTRICT TEXTBOOK ACT	-	1,005	11,916	10,911	-
DISTRICT AD PLACEMENT	-	3,825	14,436	10,611	-
DISTRICT ART ACCT	-	1,861	3,302	1,441	-
DISTRICT FACS ACT	-	2,143	3,288	1,145	-
DISTRICT ATHLETICS ACT	-	1,810	3,360	1,550	-
DISTRICT FRYSC	-	-	1,172	1,172	-
DISTRICT FFA MCBRIDE	-	50	460	410	-
DISTRICT ART MCBRIDE	-	-	400	400	-
PRIOR PERIOD ADJUSTMENT	(52,033)	-	(52,033)	-	-
Totals	\$ 25,364	\$ 175,172	\$ 157,384	(\$ 0)	\$ 43,152

See accompanying notes to the financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE A - BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District had food commodities totaling \$65,541.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553			
Fiscal Year 14		7760005 14 \$	N/A	\$ 32,691
Fiscal Year 15		7760005 15	N/A	109,928
National School Lunch Program	10.555			
Fiscal Year 14		7750002 14	N/A	110,084
Fiscal Year 15		7750002 15	N/A	363,337
Summer Food Program	10.559			
Fiscal Year 14		7740023 14	N/A	15,079
Fiscal Year 14		7690024 14	N/A	1,569
Child Nutrition Cluster Subtotal				<u>632,689</u>
Passed Through State Department of Agriculture:				
Food Donation-Commodities	10.565			
Fiscal Year 15		510.4950	N/A	65,541
Total US Department of Agriculture				<u>698,230</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 13		3100002 13	449,123	1,208
Fiscal Year 14		3100002 14	434,606	166,420
Fiscal Year 14M		3100002 14	1,639	1,639
Fiscal Year 15		3100002 15	426,311	308,723
Fiscal Year 15M		3100002 15	1,616	831
				<u>478,822</u>
Migrant Education	84.011A			
Fiscal Year 14		3110002 14	35,000	7,088
Fiscal Year 15		3110002 15	38,000	31,380
				<u>38,469</u>
* Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	386,001	80,895
Fiscal Year 13P		3810002 13	17,244	3
Fiscal Year 14		3810002 14	364,345	364,345
Fiscal Year 14P		3810002 14	9,076	6,959
Fiscal Year 15		3810002 15	376,550	34,721
* Special Education Preschool	84.173A			
Fiscal Year 13		3800002 13	38,608	8,152
Fiscal Year 14		3800002 14	37,686	37,617
Fiscal Year 14P		3800002 14	673	673
Fiscal Year 15		3800002 15	37,786	3,498
Special Education Cluster Subtotal				<u>536,863</u>
Rural Education	84.358B			
Fiscal Year 14		3140002 14	30,451	28,560
Fiscal Year 15		3140002 15	35,033	31,767
				<u>60,327</u>
Title III Limited English Proficiency	84.365A			
Fiscal Year 14		3300002 14	8,042	1,365
Fiscal Year 15		3300002 15	9,392	8,780
				<u>10,146</u>
Vocation Education-Basic Grants to States	84.048			
Fiscal Year 13A		4621332 13	824	64
Fiscal Year 14		3710002 14	15,787	497
Fiscal Year 14A		3710002 14	630	630
Fiscal Year 15		3710002 15	18,346	17,651
Fiscal Year 15S		3710002 15	2,220	313
				<u>19,155</u>
Title II Teacher Quality	84.367A			
Fiscal Year 13		3230002 13	99,095	3,046
Fiscal Year 14		3230002 14	94,763	18,126
Fiscal Year 15		3230002 15	94,063	51,395
				<u>72,566</u>
Twenty-First Century Community Learning Centers	84.287			
Fiscal Year 13N		3400002 13	60,000	2,824
Fiscal Year 13U		3400002 13	30,000	27,474
Fiscal Year 13W		3400002 13	60,000	3,570
Fiscal Year 13Z		3400002 13	16,917	16,917
				<u>50,784</u>
Race to the Top	84.413A			
Fiscal Year 11		3960002 11	18,291	7,500
Passed Through Commonwealth of Kentucky				

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Adult Education-Community Based Work Transition Fiscal Year 15	84.002		28,125	38,105
Total US Department of Education		371A		<u>1,312,735</u>
Total Expenditure of Federal Awards			\$	<u><u>2,010,965</u></u>
* Major Programs				

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Washington County School District's basic financial statements, and have issued our report thereon dated November 15, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Washington County School District, in a separate letter dated November 15, 2015.

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

Purpose of this Report

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

White & Associates, PSC

Richmond, Kentucky
November 15, 2015

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, P.C.

Richmond, Kentucky
November 15, 2015

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SUMMARY OF AUDITOR’S RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No major federal award findings.

WASHINGTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2015

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no prior year findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.