

WEBSTER COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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**WEBSTER COUNTY SCHOOL DISTRICT
JUNE 30, 2015**

BOARD OF EDUCATION

Jeff Pettit, Chairman
Mickey Dunbar, Vice-Chairman
Tim McCormick, Member
Venita Murphy, Member
Leland Steely, Member

ADMINISTRATIVE STAFF

Dr. Rachel Yarbrough, Superintendent
Georgiann McCord, Assistant/Deputy Superintendent
Brandi Burnett, Treasurer

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Webster County School District
Dixon, 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 Webster County School District (the "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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in fiscal year 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB 50, *Pension Disclosures*. 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, budgetary comparison information, and pension tables on pages 4–13, 54-56, and 57-61 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 introductory section, combining and individual nonmajor fund financial statements, and combining agency funds and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining agency funds and individual school activity fund financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

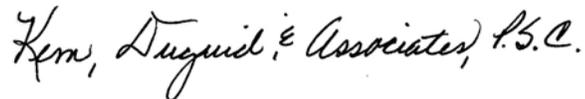
financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining agency funds and individual school activity fund financials statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of Webster County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webster County School District's internal control over financial reporting and compliance.

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Webster County School District (the “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 ending cash balance for the District was \$3,029,352, as compared with the beginning cash balance of \$3,768,477. The ending cash balance consisted of General Fund of \$1,558,030, Special Revenue Fund of \$(19,800), Other Governmental Funds of \$701,582, Food Service Fund of \$461,356, and School Activity Funds of \$328,184.
- The General Fund had \$16,656,749 in revenues excluding interfund transfers, which primarily consisted of the state program (SEEK) funds, property, utilities, and motor vehicle taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased in comparison to prior year revenues of \$15,857,143. Excluding interfund transfers, there General Fund expenditures were \$15,718,729 in comparison to prior year General Fund expenditures of \$16,017,679.
- The financial statements reflect a total of \$4,316,703 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, and technology and debt service. A like amount of expenses is also recorded in the financial statements.

The Webster County Schools has begun a new efficiency management effort under the new superintendent/finance officer, Dr. Rachel Yarbrough. The efficiency improvements already put into place include the following initiatives:

- In the spring of 2015, the finance officer and treasurer initiated a quarterly District Finance Team consisting of each school’s bookkeeper, school principals, payroll clerk, treasurer, and finance officer. This group reviews Red Book updates, discusses purchasing practices, participates in book studies, and addresses current solutions to presenting finance concerns. The quarterly meeting schedule enables a more effective means of communication with regard to problems of practice.
- The Webster County Resource Efficiency Team continues to meet each school year monthly beginning in November of the school calendar. This team is comprised of one school board member, one school level administrator, all district federal/state grant coordinators, transportation director, maintenance director, food service director, treasurer, and finance officer. A thorough review of financial information and prioritization of programs and services necessary for the most efficient functioning of the school district are topics for the monthly agenda.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

- Second year Kentucky Finance Officer Training was provided for the Webster County Treasurer, Brandi Burnett, in November 2015.
- Both the district treasurer and payroll clerk attended the KASBO Leadership Conference during the spring of 2015.
- The FY16 budget includes a 4.5% contingency fund which is the healthiest balance for Webster County Schools in recent history due to many of the efficiency measures that have been put into place.
- Additional grant funding has provided revenue sources that create amazing learning opportunities outside the normal funding streams for local public schools. The grants received during the FY 15 school year include the following:

○ 21 st Century Learning Center Grant for WCHS	5 year	\$625,000
○ Learn and Launch (Global Competency)	2 year	75,000
○ 13 Grant (GRREC)	4 year	475,000
○ Born Learning Academy	2 year	4,500
○ Data Seam Grant (IMAC Training)	1 year	150,000
○ Instructional Transformations	3 year	150,000

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary fund is food service. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 62.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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 and deferred outflows exceeded liabilities and deferred inflows by \$7,709,862 as of June 30, 2015.

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

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

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2015 and 2014:

Net Position for June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current assets and other assets	\$ 2,776,287	\$ 3,168,667	\$ 493,657	\$ 649,753	\$ 3,269,944	\$ 3,818,420
Capital assets	30,346,022	25,912,610	184,884	50,000	30,530,906	25,962,610
Total assets	33,122,309	29,081,277	678,541	699,753	33,800,850	29,781,030
Deferred outflows of resources	449,128	-	72,025	-	521,153	-
Current liabilities	769,857	1,026,295	4,254	3,280	774,111	1,029,575
Noncurrent obligations	24,876,093	22,065,411	615,537	9,740	25,491,630	22,075,151
Total liabilities	25,645,950	23,091,706	619,791	13,020	26,265,741	23,104,726
Deferred inflows of resources	293,557	-	52,843	-	346,400	-
Net position						
Investment in capital assets, net of related debt	9,119,333	4,136,803	184,884	50,000	9,304,217	4,186,803
Restricted	676,123	-	-	-	676,123	-
Unrestricted	(2,163,526)	1,852,768	(106,952)	636,733	(2,270,478)	2,489,501
Total net position	\$ 7,631,930	\$ 5,989,571	\$ 77,932	\$ 686,733	\$ 7,709,862	\$ 6,676,304

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Change in net position. The District’s governmental activities net position increased by \$1,642,359 (including a prior period adjustment decreasing net position by \$3,390,648 for implementation of GASB 68 – see Note 16) . The District’s business-type activities net position decreased \$608,801 (including a prior period adjustment decreasing net position by \$610,352 for implementation of GASB 68 – see Note 16).

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of schedule of changes in the District's net position for the years ended June 30, 2015 and 2014:

Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		District Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 12,173,850	\$ 11,682,289	\$ 939,565	\$ 798,542	\$ 13,113,415	\$ 12,480,831
Capital grants and contributions	663,692	702,793	-	-	663,692	702,793
Charges for services	-	-	310,335	373,728	310,335	373,728
General revenues:						
Property taxes	3,001,689	2,935,817	-	-	3,001,689	2,935,817
Other taxes	1,652,744	1,673,783	-	-	1,652,744	1,673,783
Investment earnings	7,152	13,506	2,524	2,775	9,676	16,281
State aid	3,260,099	2,911,031	103,186	102,588	3,363,285	3,013,619
Other	248,506	119,434	-	-	248,506	119,434
Total revenues	21,007,732	20,038,653	1,355,610	1,277,633	22,363,342	21,316,286
Expenses:						
Instruction	6,334,456	11,388,015	-	-	6,334,456	11,388,015
Support services:						
Student	1,158,152	1,014,677	-	-	1,158,152	1,014,677
Instructional support	1,380,196	1,406,736	-	-	1,380,196	1,406,736
District administration	538,208	944,779	-	-	538,208	944,779
School administration	951,392	887,074	-	-	951,392	887,074
Business support	537,380	664,394	-	-	537,380	664,394
Plant operations	2,301,017	2,094,466	-	-	2,301,017	2,094,466
Student transportation	821,554	1,681,116	-	-	821,554	1,681,116
Community services	207,531	188,805	-	-	207,531	188,805
Facilities acquisition	770,784	-	-	-	770,784	-
Interest on long-term debt	988,310	1,394,696	-	-	988,310	1,394,696
Bond issuance costs	25,745	42,100	-	-	25,745	42,100
Loss on sale of fixed assets	-	-	2,969	-	2,969	-
Transfers	(40,000)	(39,874)	40,000	39,874	-	-
Food service	-	-	1,311,090	1,193,179	1,311,090	1,193,179
Total expenses	15,974,725	21,666,984	1,354,059	1,233,053	17,328,784	22,900,037
Increase (Decrease) in net position	\$ 5,033,007	\$ (1,628,331)	\$ 1,551	\$ 44,580	\$ 5,034,558	\$ (1,583,751)

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$2,095,708 a decrease of \$92,553 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2015 and 2014.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the Districts activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of fund balances for the fiscal years ended June 30, 2015 and 2014:

Governmental Funds Balances as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Governmental Funds			
General Fund	\$ 1,419,585	\$ 815,557	\$ 604,028
Special Revenue Fund	-	-	-
Debt Service Fund	-	-	-
Capital Outlay	51,414	47,341	4,073
Building Fund	505,125	505,125	-
Construction Fund	105,969	820,238	(714,269)
District Activity Fund	13,615	-	13,615
Total governmental funds	<u>\$ 2,095,708</u>	<u>\$ 2,188,261</u>	<u>\$ (92,553)</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,017,654, while total fund balance reached \$1,419,585. 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 expenditures. Unassigned fund balance represents 6.47% of total General Fund expenditures, while total fund balance represents 9.03% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$604,028. Revenues and transfers totaling \$16,712,789 increased by \$777,700, while expenditures and transfers totaling \$16,127,967 decreased by \$210,071.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of \$678,918 or 3.97%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$3,503,496 of state payments on-behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers, beginning balances, and on-behalf payments, were \$13,153,253; compared to the total budgeted revenues of \$12,829,045.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers and on-behalf payments, were \$12,215,233; compared to the total budgeted expenditures of \$13,436,147.
- The fund balance at the end of the 2015 fiscal year for all Governmental Funds was \$2,095,708 compared to \$2,188,621 in the prior year.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local, and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2015, the District had \$30,530,906 invested in capital assets net of depreciation: historical costs totaled \$49,617,291 with accumulated depreciation totaling \$19,086,385. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Expenditures for acquisitions and improvements during the year totaled \$6,172,193. Depreciation charged to expense during the year totaled \$1,593,646, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT – DIXON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2015 and 2014.

Net Capital Assets for the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 544,352	\$ 544,352	\$ -	\$ -	\$ 544,352	\$ 544,352
Land improvements	205,796	185,868	-	-	205,796	185,868
Construction in progress	-	3,583,483	-	-	-	3,583,483
Building and improvements	27,851,537	20,663,494	-	-	27,851,537	20,663,494
Technology equipment	(164,296)	(108,621)	(10,360)	(7,932)	(174,656)	(116,553)
General equipment	222,910	227,937	-	-	222,910	227,937
Vehicles	1,685,723	816,094	17,746	38,361	1,703,469	854,455
Food service equipment	-	-	177,498	19,571	177,498	19,571
Total	<u>\$ 30,346,022</u>	<u>\$ 25,912,607</u>	<u>\$ 184,884</u>	<u>\$ 50,000</u>	<u>\$ 30,530,906</u>	<u>\$ 25,962,607</u>

Long-Term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2015 were \$19,927,156. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$6,493,164 of the bonds leaving the District to pay \$13,433,992. The liability for compensated absences had a net decrease of \$86,399 for the fiscal year. Other long-term obligations, mostly leases on buses, had a net increase for the fiscal year of \$280,231.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 639-0101 or by mail at 28 St Rt 1340, Dixon KY 42409.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,239,812	\$ 461,356	\$ 2,701,168
Accounts receivable:			
Taxes	112,355	-	112,355
Other	236,610	1,953	238,563
Intergovernmental - state	5,597	-	5,597
Intergovernmental - indirect federal	181,913	-	181,913
Inventory	-	30,348	30,348
Capital assets:			
Non-depreciable	544,352	-	544,352
Depreciable (net)	29,801,670	184,884	29,986,554
 Total assets	 <u>33,122,309</u>	 <u>678,541</u>	 <u>33,800,850</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	400,116	72,025	472,141
Deferred amount on refunding of debt	49,012	-	49,012
 Total deferred outflows of resources	 <u>449,128</u>	 <u>72,025</u>	 <u>521,153</u>
LIABILITIES			
Accounts payable	524,111	4,254	528,365
Accrued payroll and related expenses	-	-	-
Unearned revenue	98,206	-	98,206
Interest payable	147,540	-	147,540
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	1,045,015	-	1,045,015
Capital lease obligations	251,309	-	251,309
Compensated absences	58,262	-	58,262
Portion due or payable after one year:			
Bonds payable	18,863,046	-	18,863,046
Capital lease obligations	1,067,319	-	1,067,319
Compensated absences	231,342	10,737	242,079
Net pension liability	3,359,800	604,800	3,964,600
 Total liabilities	 <u>25,645,950</u>	 <u>619,791</u>	 <u>26,265,741</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension amounts	293,557	52,843	346,400
 Total deferred inflows of resources	 <u>293,557</u>	 <u>52,843</u>	 <u>346,400</u>
NET POSITION			
Invested in capital assets, net of related debt	9,119,333	184,884	9,304,217
Restricted	676,123	-	676,123
Unrestricted	(2,163,526)	(106,952)	(2,270,478)
 Total net position	 <u>\$ 7,631,930</u>	 <u>\$ 77,932</u>	 <u>\$ 7,709,862</u>

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
Governmental Activities:					
Current:					
Instruction	\$ 6,334,456	\$ -	\$ 6,680,748	\$ -	\$ 346,292
Support services:					
Student	1,158,152	-	576,969	-	(581,183)
Instructional staff	1,380,196	-	2,751,286	-	1,371,090
District administration	538,208	-	126,557	-	(411,651)
School administration	951,392	-	302,479	-	(648,913)
Business	537,380	-	46,362	-	(491,018)
Plant operation and maintenance	2,301,017	-	336,971	-	(1,964,046)
Student transportation	821,554	-	690,320	-	(131,234)
Building acquisition and construction	770,784	-	-	-	(770,784)
Community service activities	207,531	-	662,158	-	454,627
Bond issue costs	25,745	-	-	-	(25,745)
Interest on long-term debt	988,310	-	-	663,692	(324,618)
Total governmental activities	16,014,725	-	12,173,850	663,692	(3,177,183)
Business-Type Activities:					
Food service	1,311,090	310,335	939,565	-	(61,190)
Total business-type activities	1,311,090	310,335	939,565	-	(61,190)
Total activities	\$ 17,325,815	\$ 310,335	\$ 13,113,415	\$ 663,692	\$ (3,238,373)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net revenues (expenses)			\$ (3,177,183)	\$ (61,190)	\$ (3,238,373)
General Revenues					
Taxes:					
Property			3,001,689	-	3,001,689
Motor vehicle			532,464	-	532,464
Utilities			955,007	-	955,007
Other			165,273	-	165,273
Investment earnings			7,152	2,524	9,676
State aid			3,260,099	103,186	3,363,285
Gain (loss) on sale of fixed assets			8,759	(2,969)	5,790
Transfers			40,000	(40,000)	-
Miscellaneous			239,747	-	239,747
Total general revenues			8,210,190	62,741	8,272,931
Change in net position			5,033,007	1,551	5,034,558
Net position, July 1, 2014			5,989,571	686,733	6,676,304
Implementation of GASB 68 (Note 16)			(3,390,648)	(610,352)	(4,001,000)
Net position, July 1, 2014, restated			2,598,923	76,381	2,675,304
Net position, June 30, 2015			\$ 7,631,930	\$ 77,932	\$ 7,709,862

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**WEBSTER COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,558,030	\$ -	\$ -	\$ 701,582	\$ 2,259,612
Accounts receivable:					
Taxes	112,355	-	-	-	112,355
Other	236,610	-	-	-	236,610
Intergovernmental - state	-	5,597	-	-	5,597
Intergovernmental - indirect federal	-	181,913	-	-	181,913
 Total assets	<u>\$ 1,906,995</u>	<u>\$ 187,510</u>	<u>\$ -</u>	<u>\$ 701,582</u>	<u>\$ 2,796,087</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 429,148	\$ 69,504	\$ -	\$ 25,459	\$ 524,111
Cash overdraft	-	19,800	-	-	19,800
Accrued sick leave	58,262	-	-	-	58,262
Unearned revenue	-	98,206	-	-	98,206
 Total liabilities	<u>487,410</u>	<u>187,510</u>	<u>-</u>	<u>25,459</u>	<u>700,379</u>
Fund balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	-	-	-	676,123	676,123
Committed	394,437	-	-	-	394,437
Assigned	7,494	-	-	-	7,494
Unassigned	1,017,654	-	-	-	1,017,654
 Total fund balances	<u>1,419,585</u>	<u>-</u>	<u>-</u>	<u>676,123</u>	<u>2,095,708</u>
 Total liabilities and fund balances	<u>\$ 1,906,995</u>	<u>\$ 187,510</u>	<u>\$ -</u>	<u>\$ 701,582</u>	<u>\$ 2,796,087</u>

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per fund financial statements		\$ 2,095,708
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$48,661,782, and the accumulated depreciation is \$18,315,760.		30,346,022
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources		49,012
Pension related items:		
Deferred outflow		400,116
Deferred inflow		(293,557)
Unfunded pension liability		(3,359,800)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	\$ (19,908,061)	
Lease obligations	(1,318,628)	
Interest payable on bonds	(147,540)	
Noncurrent portion of accumulated sick leave	(231,342)	(21,605,571)
Net position for governmental activities		\$ 7,631,930

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ 2,611,715	\$ -	\$ -	\$ 389,974	\$ 3,001,689
Motor vehicle	532,464	-	-	-	532,464
Utilities	955,007	-	-	-	955,007
Other	165,273	-	-	-	165,273
Earnings on investments	7,044	108	-	-	7,152
Other local revenues	177,570	29,389	-	32,788	239,747
Intergovernmental - state	12,173,849	1,168,766	663,692	548,741	14,555,048
Intergovernmental - federal	33,827	1,508,765	-	-	1,542,592
Total revenues	16,656,749	2,707,028	663,692	971,503	20,998,972
EXPENDITURES					
Current:					
Instruction	8,628,172	1,365,219	-	19,173	10,012,564
Support services:					
Student	1,066,843	93,715	-	-	1,160,558
Instructional staff	569,349	810,847	-	-	1,380,196
District administration	512,738	-	-	19,206	531,944
School administration	1,202,996	-	-	-	1,202,996
Business	536,681	-	-	-	536,681
Plant operations and maintenance	2,187,972	55,107	-	-	2,243,079
Student transportation	1,013,918	184,285	-	-	1,198,203
Community service activities	60	207,471	-	-	207,531
Building acquisition and construction	-	-	-	770,784	770,784
Debt service	-	-	3,277,827	21,726	3,299,553
Total expenditures	15,718,729	2,716,644	3,277,827	830,889	22,544,089
Excess (deficit) of revenues over (under) expenditures	938,020	(9,616)	(2,614,135)	140,614	(1,545,117)
Other financing sources (uses)					
Proceeds from disposal of fixed assets	16,040	-	-	-	16,040
Bond proceeds, net	-	-	1,396,524	-	1,396,524
Operating transfers in	40,000	9,616	1,217,611	-	1,267,227
Operating transfers out	(390,032)	-	-	(837,195)	(1,227,227)
Total other financing sources (uses)	(333,992)	9,616	2,614,135	(837,195)	1,452,564
Net changes in fund balances	604,028	-	-	(696,581)	(92,553)
Fund balances, July 1, 2014	815,557	-	-	1,372,704	2,188,261
Fund balances, June 30, 2015	\$ 1,419,585	\$ -	\$ -	\$ 676,123	\$ 2,095,708

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balance - Total governmental funds \$ (92,553)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	\$ 5,990,244	
Depreciation expense	<u>(1,549,550)</u>	
Net capital outlay		4,440,694

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers) is to decrease net position (7,281)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond proceeds	(1,396,524)	
Deferred amount on refunding debt	51,757	
Cost of issuance paid	(25,744)	
KISTA lease proceeds	(531,886)	
Bond repayments	2,252,567	
KISTA lease payments	<u>251,655</u>	
		601,825

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These activities are:

Deferred pension amounts	137,406	
Accumulated sick leave-noncurrent portion	(54,003)	
Amortization of bond discount/premium	(3,695)	
Accrued interest on bonds	<u>10,614</u>	
Net decrease in expenditures		<u>90,322</u>

Change in net position of governmental activities \$ 5,033,007

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	School Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 461,356
Accounts receivable	1,953
Inventory	30,348
Total current assets	493,657
Noncurrent assets	
Capital assets	955,509
Less: accumulated depreciation	(770,625)
Total noncurrent assets	184,884
Total assets	678,541
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension amounts	72,025
Total deferred outflows of resources	72,025
LIABILITIES	
Current liabilities	
Accounts payable	4,254
Accrued salaries and benefits	10,737
Total current liabilities	14,991
Long-term liabilities	
Net pension liability	604,800
Total long-term liabilities	604,800
Total liabilities	619,791
DEFERRED INFLOWS OF RESOURCES	
Deferred pension amounts	52,843
Total deferred inflows of resources	52,843
NET POSITION	
Invested in capital assets, net of related debt	184,884
Unrestricted	(106,952)
Total net position	\$ 77,932

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	School Food Service Fund
OPERATING REVENUES	
Lunchroom sales	\$ 310,335
Total operating revenues	310,335
 OPERATING EXPENSES	
Salaries, wages and benefits	592,458
Materials and supplies	593,156
Depreciation	44,095
Contract services	80,634
Other	747
Total operating expenses	1,311,090
Operating income (loss)	(1,000,755)
 NON-OPERATING REVENUES (EXPENSES)	
Federal grants	901,028
Donated commodities	38,537
State grants	10,776
State on-behalf payments	92,410
Transfers in (out)	(40,000)
Gain (loss) on disposal of fixed assets	(2,969)
Interest income	2,524
Total non-operating revenues (expenses)	1,002,306
Change in net position	1,551
Net position, July 1, 2014	686,733
Implementation of GASB 68 (Note 16)	(610,352)
Net position, July 1, 2014, restated	76,381
Net position, June 30, 2015	\$ 77,932

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>School Food Service Fund</u>
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 321,413
Cash paid to/for:	
Employees	(523,786)
Supplies	(529,976)
Contract services	<u>(81,381)</u>
Net cash provided (used) by operating activities	<u>(813,730)</u>
Cash flows from noncapital financing activities	
Transfers in (out)	(40,000)
Government grants	<u>911,804</u>
Net cash provided (used) by noncapital financing activities	<u>871,804</u>
Cash flows from investing activities	
Purchase of fixed assets	(181,949)
Receipt of interest income	<u>2,524</u>
Net cash provided (used) by investing activities	<u>(179,425)</u>
Net increase (decrease) in cash and cash equivalents	(121,351)
Balances, beginning of year	<u>582,707</u>
Balances, end of year	<u><u>\$ 461,356</u></u>

See accompanying notes to financial statements

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>School Food Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (1,000,755)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	44,096
Donated commodities	38,537
State on-behalf payments	92,410
Change in assets and liabilities:	
Accounts receivable	11,076
Inventory	23,669
Compensated absences	998
Deferred pension amounts	(24,735)
Accounts payable	974
Net cash provided (used) by operating activities	<u><u>\$ (813,730)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from Federal government	\$ 38,537
On-behalf payments	92,410

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Fiscal Agent Funds	Agency Funds	Total Fiduciary Net Position
ASSETS			
Cash and cash equivalents	\$ -	\$ 328,184	\$ 328,184
Total assets	-	328,184	328,184
LIABILITIES			
Accounts payable	-	1,307	1,307
Due to grantor agency	-	-	-
Due to student groups	-	326,877	326,877
Total liabilities	-	328,184	328,184
NET POSITION	\$ -	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Webster County School District Finance Corporation are included in the accompanying financials statements. The Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Webster Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

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.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. 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 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 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Special Revenue Funds account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant Fund)* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

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

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

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs. This is a major fund of the District.

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The fund's principal operating revenues are food service charges. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has one proprietary fund:

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 use the accrual basis of accounting.

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and 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 60 days after 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 accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are 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 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 specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2015, to finance the General Fund operations were \$.486 per \$100 valuation for real property, \$.486 per \$100 valuation for business tangible personal property, and \$.48 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 furnishings, within the District, of telephone and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Estimates

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

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

Prepaid Expenditures

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

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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 interfund balances.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

All reported capital assets except land and construction in progress 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 For Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20-25 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
Furniture and fixtures	7-20 years
Other	10-15 years

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 judgments, the noncurrent portion of capital leases, accumulated sick leave, and contractually required pension contributions 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.

Debt Premiums and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

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 Teacher's 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.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 8.

Fund Balances

In the fund financial statements, governmental fund balances as classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned, and then unassigned fund balances.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through November 11, 2015, which is the date the financial statements were available to be issued.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year end, the carrying amount of the District's deposits was \$3,029,352 and the bank balance was \$3,323,373. Of the District's bank balance, \$1,000,000 was covered by Federal Deposit insurance while the remaining \$2,323,373 was collateralized as discussed above.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 2,239,812
Proprietary funds	461,356
Fiduciary funds	<u>328,184</u>
Total	<u><u>\$ 3,029,352</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets not depreciated:				
Land	\$ 544,352	\$ -	\$ -	\$ 544,352
Construction in progress	3,583,482	-	3,583,482	-
Total nondepreciable historical cost	<u>4,127,834</u>	<u>-</u>	<u>3,583,482</u>	<u>544,352</u>
Capital assets depreciated:				
Land improvements	777,473	44,290	36,288	785,475
Buildings and improvements	33,469,368	7,884,460	72,995	41,280,833
Technology equipment	1,265,566	237,786	630,377	872,975
General equipment	912,740	5,131	45,482	872,389
Vehicles	2,959,775	1,402,059	56,076	4,305,758
Total depreciable historical cost	<u>39,384,922</u>	<u>9,573,726</u>	<u>841,218</u>	<u>48,117,430</u>
Less: accumulated depreciation				
Land improvements	591,604	24,363	36,288	579,679
Building and improvements	12,805,874	694,544	71,122	13,429,296
Technology equipment	1,374,187	288,055	624,971	1,037,271
General equipment	684,803	10,158	45,482	649,479
Vehicles	2,143,681	532,430	56,076	2,620,035
Total accumulated depreciation	<u>17,600,149</u>	<u>1,549,550</u>	<u>833,939</u>	<u>18,315,760</u>
Total depreciable historical cost - net	<u>21,784,773</u>	<u>8,024,176</u>	<u>7,279</u>	<u>29,801,670</u>
Governmental activities capital assets - net	<u>\$ 25,912,607</u>	<u>\$ 8,024,176</u>	<u>\$ 3,590,761</u>	<u>\$ 30,346,022</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

Instruction	\$ 961,402
Support services:	
Student	24,540
District administration	6,264
School administration	51
Business	699
Plant operations and maintenance	86,446
Student transportation	470,148
	<u>470,148</u>
	<u>\$ 1,549,550</u>

Business-Type Activities	Balance			Balance
	July 1, 2014	Additions	Deductions	June 30, 2015
Capital assets depreciated:				
Buildings and improvements	\$ -	\$ -	\$ -	\$ -
Technology equipment	54,280	-	40,571	13,709
Food service equipment	815,331	163,000	73,229	905,102
Vehicle	17,749	18,949	-	36,698
	<u>887,360</u>	<u>181,949</u>	<u>113,800</u>	<u>955,509</u>
Total depreciable historical cost				
Less: accumulated depreciation				
Buildings and improvements	-	-	-	-
Technology equipment	62,212	40	38,183	24,069
Food service equipment	756,512	43,740	72,648	727,604
Vehicle	18,636	316	-	18,952
	<u>837,360</u>	<u>44,096</u>	<u>110,831</u>	<u>770,625</u>
Total accumulated depreciation				
Business-type activities capital assets - net	<u>\$ 50,000</u>	<u>\$ 137,853</u>	<u>\$ 2,969</u>	<u>\$ 184,884</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – LONG-TERM OBLIGATIONS

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

Issue	Issue	Proceeds	Interest Rates
2004	Renovations - Providence Elementary	300,000	4.63%
2004R	Refunding	2,880,000	1.90-3.6252%
2006	Renovations - Slaughters Elementary	900,000	3.90%
2008	Renovations - WCHS	9,995,000	3.00-4.875%
KISTA 2009R	Refunding	603,191	1.00-3.25%
2010R	Refunding	1,020,000	2.00%
2011	Roof - Clay & Providence	178,485	1.50-3.50%
KISTA 2012	2003 Refunding	178,900	0.60%-3.00%
2012	Energy Conservation	3,005,000	0.90-2.60%
2013	School Building Revenue Bonds	4,650,000	1.5-4.050%
2014	Refunding	1,405,000	0.450-2.40%

On November 19, 2014, the District issued \$1,405,000 in Refunding Revenue Bonds with interest rates of 0.450% - 2.40%. The District issued the bonds to refund \$1,340,000 of outstanding 2005 Series with interest rate of 3.90%. The net proceeds of \$1,391,757 (after payment of \$65,000 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments. The 2005 bonds will be called July 1, 2015. As of June 30, 2015, the escrow account had a balance of \$1,396,524. As a result, the refunded bonds were considered to be defeased and the liability was removed from the government-wide financial statements. The refund reduced total debt service payments over the next twelve years by \$84,205, with a net present value savings of 5.915%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the defeased debt of \$51,757. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2026 using the effective interest method.

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Webster 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 District has entered into "participation agreements" with the Kentucky School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets for the amount to be paid by the district and the commission or each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – LONG-TERM OBLIGATIONS, continued

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

Year	Webster County Board of Education		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016	\$ 588,861	\$ 446,020	\$ 456,154	\$ 253,017	\$ 1,744,052
2017	565,700	423,899	469,301	238,450	1,697,350
2018	586,590	408,241	483,946	222,608	1,701,385
2019	606,521	391,665	476,598	206,077	1,680,861
2020	632,974	373,922	467,026	189,301	1,663,223
2021-2025	3,567,188	1,555,818	2,176,297	680,617	7,979,920
2026-2030	3,929,128	887,898	1,830,872	199,149	6,847,047
2031-2034	2,957,030	220,081	132,970	10,626	3,320,707
	<u>\$ 13,433,992</u>	<u>\$ 4,707,544</u>	<u>\$ 6,493,164</u>	<u>\$ 1,999,845</u>	<u>\$ 26,634,545</u>

Changes in long-term liabilities are as follows:

	Balance July 1, 2014	New Issues/ Adjustments	Debt Payments/ Adjustments	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable:					
Revenue bonds	\$ 20,774,724	\$ 1,565,350	\$ 2,412,918	\$ 19,927,156	\$ 1,045,015
Premium (discount)	(37,314)	17,269	(950)	(19,095)	-
Total bonds payable	<u>20,737,410</u>	<u>1,582,619</u>	<u>2,411,968</u>	<u>19,908,061</u>	<u>1,045,015</u>
Other liabilities:					
Leases	1,038,397	531,886	251,655	1,318,628	251,309
Compensated absences:					
Governmental	377,000	-	87,396	289,604	58,262
Business-type	9,740	997	-	10,737	-
Total other liabilities	<u>1,425,137</u>	<u>532,883</u>	<u>339,051</u>	<u>1,618,969</u>	<u>309,571</u>
Total long-term liabilities	<u>\$ 22,162,547</u>	<u>\$ 2,115,502</u>	<u>\$ 2,751,019</u>	<u>\$ 21,527,030</u>	<u>\$ 1,354,586</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL LEASES

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases school buses pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 2,314,440	\$ 1,438,863

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2015 are, as follows:

<u>Year Ending</u>	<u>KISTA Leases</u>
2016	251,309
2017	240,217
2018	178,904
2019	169,440
2020	165,954
2021-2024	<u>444,162</u>
Total minimum lease payments	\$ 1,449,986
Lease amount representing interest	<u>131,358</u>
Present value of net minimum lease payments	<u><u>\$ 1,318,628</u></u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL LEASES, continued

During the year ended June 30, 2015, the following changes occurred in the capital lease obligations:

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Due in One Year
KISTA 05	\$ 17,410	\$ -	\$ 17,410	\$ -	\$ -
KISTA 06	85,404	-	30,866	54,538	28,847
KISTA 07	95,426	-	34,516	60,910	32,024
KISTA 08	38,990	-	10,096	28,894	11,539
KISTA 11	120,638	-	16,913	103,725	20,558
KISTA 12	230,807	-	28,025	202,782	33,032
KISTA 13	449,722	-	56,260	393,462	55,887
KISTA 14	-	531,886	57,569	474,317	69,422
	<u>\$ 1,038,397</u>	<u>\$ 531,886</u>	<u>\$ 251,655</u>	<u>\$ 1,318,628</u>	<u>\$ 251,309</u>

NOTE 6 – FUND BALANCE REPORTING

Following is a summary of designations of fund balance at June 30, 2015:

	General Fund	Special Revenue	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted:				
Future construction	-	-	105,969	105,969
Capital outlay	-	-	505,125	505,125
District activity funds	-	-	13,615	13,615
SFCC escrow	-	-	51,414	51,414
Committed:				
Sick leave	314,104	-	-	314,104
Site-based carryforward	80,333	-	-	80,333
Assigned	7,494	-	-	7,494
Unassigned	<u>1,017,654</u>	<u>-</u>	<u>-</u>	<u>1,017,654</u>
	<u>\$ 1,419,585</u>	<u>\$ -</u>	<u>\$ 676,123</u>	<u>\$ 2,095,708</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – COMPENSATED ABSENCES

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

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year’s economic financial resources. These amounts are recorded in the account “accrued sick leave payable” in the General Fund. The amount estimated for General Fund expenditure for school year 2016 is \$58,262. Management has estimated that the long-term obligation for General Fund will be approximately \$231,342. The amount for the business type activities is \$10,737 with the full amount considered to be a long-term obligation.

NOTE 8 – PENSION PLANS

The District’s employees are provided with two pensions 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 college degree beyond a high school diploma are covered by 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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old 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 Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

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

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

	<u>Required contributions</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.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

Employees who 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 2.0% of their final average salary for each year of service if, upon retirement, their total service was 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.

Final average salary is defined as the member's five (5) highest 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.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

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, three quarters percent (.75%) from Commonwealth appropriation, and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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 net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$	3,964,600
Commonwealth's proportionate share of the KTRS net pension liability associated with the District.		56,319,829
	\$	60,284,429

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.119533%.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

For the year ended June 30, 2015, the District recognized pension expense of (\$162,142) related to CERS and \$1,327,195 related to KTRS. The District also recognized revenue of \$1,327,195 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>County Employees Retirement System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	433,000
Changes in proportion and difference between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>518,018</u>	<u>-</u>
Total	<u><u>\$ 518,018</u></u>	<u><u>\$ 433,000</u></u>

The amount of \$472,141 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 86,600
2017	86,600
2018	86,600
2019	86,600
2020	-

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.5%	3.5%
Projected salary increases	4.5%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.8%	7.5%

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

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 by 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S equity	45.00%	6.4%
Non U.S. equity	17.00%	6.5%
Fixed income	24.00%	1.6%
High yield bonds	4.00%	3.1%
Real estate	4.00%	5.8%
Alternatives	4.00%	6.8%
Cash	2.00%	1.5%
 Total	 <u>100.00%</u>	

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – PENSION PLANS, continued

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 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 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 5,103,322	\$ 3,964,600	\$ 2,795,590
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 CERS and KTRS.

Deferred Compensation

The District also offers employees the option to participate in defined contribution plans under Sections 401(k) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Health insurance	\$ 2,213,126
Life insurance	4,067
Administrative fee	27,882
Health reimbursement account - HRA/dental/vision	120,837
	2,365,912
Federal reimbursements of health benefits	(155,147)
	2,210,765
Kentucky Teacher's Retirement System	1,327,195
Technology	57,945
SFCC debt service	720,798
	\$ 4,316,703

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditures functions in these financial statements as follows:

Governmental activities:	
General Fund	\$ 3,503,496
Debt Service Fund	720,797
Business-type activities:	
Food Service Fund	92,410
	\$ 4,316,703

NOTE 10 – CONTINGENCIES AND COMMITMENTS

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

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to, and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated with include workers' compensation insurance.

In prior years, to obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Fund (KSBIT). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District paid an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

KSBIT is under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment for the KSBIT members. The approved assessment plan contained component which are subject to ongoing litigation. The payment plan from the assessment began subsequent to June 30, 2014. The District was notified in by the Kentucky School Board Insurance Trust of a liability in the amount of \$86,905 for workers compensation losses incurred by the Trust. The District made a 25% down payment in the amount of \$21,726 in August 2014. The District chose to pay the remaining liability of \$65,179 in six installments beginning August 31, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

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

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – DEFICIT OPERATING FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the Construction Fund had a current year deficit of \$714,269 of expenditures over revenues causing a corresponding reduction of fund balance.

NOTE 13 – COBRA

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 14 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS matching funds	\$ 9,616
General	Debt Service	Debt service payment	380,416
Capital Outlay	Debt Service	Debt service payment	95,807
Building	Debt Service	Debt service payment	741,388
Food Service	Debt Service	Indirect food service reimbursements	40,000
			\$ 1,267,227

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2015.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Government 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. Refer to the Defined Benefit section of Note 10 for further details.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES, continued

As a result of implementing this statement, the following line items have been added to the Statements of Net Position.

Item	Government- Wide	School Food Service	Total
June 30, 2015			
Deferred outflows - pension plan	\$ 400,116	\$ 72,025	\$ 472,141
Deferred inflow - pension plan	293,557	52,843	346,400
Net pension liability	3,359,800	604,800	3,964,600
June 30, 2015			
Deferred outflows - pension plan	\$ 438,994	\$ 79,024	\$ 518,018
Deferred inflow - pension plan	366,946	66,054	433,000
Net pension liability	3,829,642	689,376	4,519,018

As this statement is applied retroactively, the financial statement of the year ended June 30, 2014 has been restated to apply the changes noted associated with the net pension liability.

The effect of this change is as follows:

	Government- Wide	School Food Service	Total
Net position - June 30, 2014 as originally reported	\$ 5,989,571	\$ 686,733	\$ 6,676,304
GASB 68 adjustment to record net pension liability as of June 30, 2014	<u>(3,390,648)</u>	<u>(610,352)</u>	<u>(4,001,000)</u>
Net position - June 30, 2014, restated	<u>\$ 2,598,923</u>	<u>\$ 76,381</u>	<u>\$ 2,675,304</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES, continued

Change in net position - June 30, 2015 as originally reported	\$ 4,895,600	\$ (23,184)	\$ 4,872,416
GASB 68 adjustment to record net pension expense for the year ended June 30, 2015 (recorded in employee benefits)	137,407	24735	162,142
Change - June 30, 2015, restated	\$ 5,033,007	\$ 1,551	\$ 5,034,558

NOTE 17 – UPCOMING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The District is currently evaluating the impact this standard will have on the financial statements when adopted during District's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the District will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The District is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

REQUIRED SUPPLEMENTARY INFORMATION

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE 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	\$ 2,595,613	\$ 2,595,613	\$ 2,611,715	\$ 16,102
Motor vehicle	466,018	466,018	532,464	66,446
Utilities	800,000	800,000	955,007	155,007
Other	220,139	220,139	165,273	(54,866)
Earnings on investments	6,000	6,000	7,044	1,044
Other local revenues	92,045	92,045	177,570	85,525
Intergovernmental - state	8,613,230	8,613,230	8,670,353	57,123
Intergovernmental - federal	36,000	36,000	33,827	(2,173)
Total revenues	<u>12,829,045</u>	<u>12,829,045</u>	<u>13,153,253</u>	<u>324,208</u>
EXPENDITURES				
Current:				
Instruction	6,549,595	6,549,595	6,304,613	244,982
Support services:				
Student	835,266	835,266	788,972	46,294
Instructional staff	458,561	458,561	405,936	52,625
District administration	694,987	694,987	386,181	308,806
School administration	927,100	927,100	900,517	26,583
Business	385,304	385,304	490,319	(105,015)
Plant operations and maintenance	1,963,157	1,963,157	2,026,879	(63,722)
Student transportation	940,259	940,259	911,756	28,503
Community services	3,000	3,000	60	2,940
Contingency	678,918	678,918	-	678,918
Total expenditures	<u>13,436,147</u>	<u>13,436,147</u>	<u>12,215,233</u>	<u>1,220,914</u>
Excess (deficit) of revenues over (under) expenditures	<u>(607,102)</u>	<u>(607,102)</u>	<u>938,020</u>	<u>1,545,122</u>
Other financing sources (uses)				
Proceeds from sale of fixed assets	25,000	25,000	16,040	(8,960)
Operating transfers in	40,000	40,000	40,000	-
Operating transfers out	(390,032)	(390,032)	(390,032)	-
Total other financing sources (uses)	<u>(325,032)</u>	<u>(325,032)</u>	<u>(333,992)</u>	<u>(8,960)</u>
Net change in fund balance	(932,134)	(932,134)	604,028	1,536,162
Fund balance, July 1, 2014	<u>932,134</u>	<u>932,134</u>	<u>815,557</u>	<u>(116,577)</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,419,585</u>	<u>\$ 1,419,585</u>

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 108	\$ 108
Other local revenues	27,000	27,000	29,389	2,389
Intergovernmental - state	909,089	909,089	1,168,766	259,677
Intergovernmental - federal	<u>1,359,415</u>	<u>1,359,415</u>	<u>1,508,765</u>	<u>149,350</u>
Total revenues	<u>2,295,504</u>	<u>2,295,504</u>	<u>2,707,028</u>	<u>411,524</u>
EXPENDITURES				
Current:				
Instruction	1,251,136	1,251,136	1,365,219	(114,083)
Support services:				
Student	47,257	47,257	93,715	(46,458.00)
Instructional staff	660,695	660,695	810,847	(150,152)
Plant operation and maintenance	46,462	46,462	55,107	(8,645)
Student transportation	84,309	84,309	184,285	(99,976)
Community services	<u>215,548</u>	<u>215,548</u>	<u>207,471</u>	<u>8,077</u>
Total expenditures	<u>2,305,407</u>	<u>2,305,407</u>	<u>2,716,644</u>	<u>(411,237)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(9,903)</u>	<u>(9,903)</u>	<u>(9,616)</u>	<u>287</u>
Other financing sources (uses)				
Operating transfers in	<u>9,616</u>	<u>9,616</u>	<u>9,616</u>	<u>-</u>
Total other financing sources (uses)	<u>9,616</u>	<u>9,616</u>	<u>9,616</u>	<u>-</u>
Net change in fund balance	(287)	(287)	-	287
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	<u>\$ (287)</u>	<u>\$ (287)</u>	<u>\$ -</u>	<u>\$ 287</u>

**WEBSTER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY INFORMATION

The District's budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General and Food Service Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Reconciliation to the General Fund

Revenues - budgetary basis	\$ 13,153,253
On-behalf payments	<u>3,503,496</u>
Total revenues - modified cash basis	<u>\$ 16,656,749</u>
Expenditures - budgetary basis	\$ 12,215,233
On-behalf payments	<u>3,503,496</u>
Total expenditures - modified cash basis	<u>\$ 15,718,729</u>

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
County Employees Retirement System**

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.119533%
District's proportionate share of the net pension liability	\$ 3,964,600
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 3,964,600
District's covered-employee payroll	\$ 2,671,990
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.40%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
County Employees Retirement System**

	Year Ended June 30, 2015
Contractually required contribution	\$ 472,141
Contributions in relation to the contractually required contribution	472,141
Contribution deficiency	\$ -
District's covered-employee payroll	\$ 2,671,990
Contributions as a percentage of covered-employee payroll	17.67%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>56,319,829</u>
Total	<u>\$ 56,319,829</u>
District's covered-employee payroll	\$ 8,473,221
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.04%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
Kentucky Teachers' Retirement System**

	Year Ended June 30, 2015
Contractually required contribution - On behalf payments - KDE	\$ 1,327,195
Contributions in relation to the contractually required contribution	1,327,195
Contribution deficiency	\$ -
District's covered-employee payroll	\$ 8,473,221
Contributions as a percentage of covered-employee payroll	15.66%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**WEBSTER COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of benefit terms – None

Changes of assumptions - None

OTHER SUPPLEMENTARY INFORMATION

**WEBSTER COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	District Activity Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 70,620	\$ 505,125	\$ 105,969	\$ 19,868	\$ 701,582
Total assets and resources	<u>\$ 70,620</u>	<u>\$ 505,125</u>	<u>\$ 105,969</u>	<u>\$ 19,868</u>	<u>\$ 701,582</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,206	\$ -	\$ -	\$ 6,253	\$ 25,459
Total liabilities	<u>19,206</u>	<u>-</u>	<u>-</u>	<u>6,253</u>	<u>25,459</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	51,414	505,125	105,969	13,615	676,123
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>51,414</u>	<u>505,125</u>	<u>105,969</u>	<u>13,615</u>	<u>676,123</u>
Total liabilities and fund balances	<u>\$ 70,620</u>	<u>\$ 505,125</u>	<u>\$ 105,969</u>	<u>\$ 19,868</u>	<u>\$ 701,582</u>

**WEBSTER COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	District Activity Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ -	\$ 389,974	\$ -	\$ -	\$ 389,974
Other local revenues	-	-	-	32,788	32,788
Intergovernmental - state	197,327	351,414	-	-	548,741
Intergovernmental - direct federal	-	-	-	-	-
Total revenues	<u>197,327</u>	<u>\$ 741,388</u>	<u>\$ -</u>	<u>\$ 32,788</u>	<u>\$ 971,503</u>
EXPENDITURES					
Current:					
Instruction	-	-	-	19,173	19,173
Support services:					
District administration	19,206	-	-	-	19,206
Debt service	21,726	-	-	-	21,726
Building acquisition and construction	56,515	-	714,269	-	770,784
Total expenditures	<u>97,447</u>	<u>-</u>	<u>714,269</u>	<u>19,173</u>	<u>830,889</u>
Excess (deficit) of revenues over (under) expenditures	<u>99,880</u>	<u>741,388</u>	<u>(714,269)</u>	<u>13,615</u>	<u>140,614</u>
Other financing sources (uses)					
Bond proceeds, net	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(95,807)	(741,388)	-	-	(837,195)
Total other financing sources (uses)	<u>(95,807)</u>	<u>(741,388)</u>	<u>-</u>	<u>-</u>	<u>(837,195)</u>
Net change in fund balance:	4,073	-	(714,269)	13,615	(696,581)
Fund balances, July 1, 2014	<u>47,341</u>	<u>505,125</u>	<u>820,238</u>	<u>-</u>	<u>1,372,704</u>
Fund balances, June 30, 2015	<u>\$ 51,414</u>	<u>\$ 505,125</u>	<u>\$ 105,969</u>	<u>\$ 13,615</u>	<u>\$ 676,123</u>

**WEBSTER COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable
Webster County High School	\$ 171,022	\$ 315,589	\$ 316,196	\$ 170,415	\$ -	\$ -
Webster County Middle School	-	81,665	53,631	28,034	-	-
Ashmore Scholarship	37,921	-	2,824	35,097	-	-
Clay Elementary	13,276	68,947	74,412	7,811	-	1,307
Dixon Elementary	48,994	30,914	28,243	51,665	-	-
Providence Elementary	4,034	39,839	38,031	5,842	-	-
Sebree Elementary	19,291	36,808	34,382	21,717	-	-
Waggoner Scholarship	8,064	-	462	7,602	-	-
Total activity funds	302,602	573,762	548,180	328,184	-	1,307
Fiscal Agent Fund	4,790	3,828	8,618	-	-	-
Total agency funds	<u>\$ 307,392</u>	<u>\$ 577,590</u>	<u>\$ 556,798</u>	<u>\$ 328,184</u>	<u>\$ -</u>	<u>\$ 1,307</u>

**WEBSTER COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - WEBSTER COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
Academic	\$ 394	\$ 950	\$ 361	\$ 983	\$ -	\$ -	\$ 983
Agriculture	981	1,250	1,720	511	-	-	511
Annual Staff	10,436	18,446	15,128	13,754	-	-	13,754
Archery	1,015	6,797	7,238	574	-	-	574
Athletic	37,869	74,856	83,173	29,552	-	-	29,552
Athletic - Boys BB	199	1,071	607	663	-	-	663
Athletic - Girls BB	2,230	19,880	18,871	3,239	-	-	3,239
Arts & Humanities	-	106	106	-	-	-	-
Band	437	-	-	437	-	-	437
Baseball	991	4,114	2,387	2,718	-	-	2,718
BETA Club	992	654	400	1,246	-	-	1,246
Bookstore	6,864	496	3,555	3,805	-	-	3,805
Cheerleaders	7	90	-	97	-	-	97
Community Education	-	2,573	1,680	893	-	-	893
College Bd	-	7,825	7,749	76	-	-	76
Class of '16	3,316	14,968	6,896	11,388	-	-	11,388
Cross Country - Boys & Girls	279	-	-	279	-	-	279
Culinary Skills	2,078	3,545	2,244	3,379	-	-	3,379
DAF Instruction	-	13,823	13,512	311	-	-	311
DAF Athletics	-	19,202	5,049	14,153	-	-	14,153
	-	139	-	139	-	-	139
Dance Team	127	-	-	127	-	-	127
English	11	808	808	11	-	-	11
FFA	1,412	35,007	29,156	7,263	-	-	7,263
FACS	1,306	188	400	1,094	-	-	1,094
FCA	428	555	459	524	-	-	524
FCCLA	1,972	15,619	13,366	4,225	-	-	4,225
Film	42	-	-	42	-	-	42
Football	8,668	10,220	9,910	8,978	-	-	8,978
General Fund	4,925	14,331	13,326	5,930	-	-	5,930
Girls Softball	1,384	200	1,153	431	-	-	431
Golf - Boys	3,922	6,890	7,050	3,762	-	-	3,762
Golf - Girls	3,641	3,182	2,180	4,643	-	-	4,643

(continued)

WEBSTER COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued
SCHOOL ACTIVITY FUNDS - WEBSTER COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2015
Greenhouse	14,536	6,679	5,722	15,493	-	-	15,493
Guidance	220	1,707	1,914	13	-	-	13
Inst. Science	1,115	1,770	2,773	112	-	-	112
Library	611	432	620	423	-	-	423
Math	6	644	644	6	-	-	6
Middle School Athletics	24,499	1,376	25,875	-	-	-	-
Mock Trial	1,066	-	125	941	-	-	941
New Sign	1,648	1,400	3,048	-	-	-	-
Physical Education	722	250	569	403	-	-	403
Project Graduation	1,649	9,469	8,753	2,365	-	-	2,365
Quiz Bowl	206	425	4	627	-	-	627
R.C.	1,409	1,073	224	2,258	-	-	2,258
Renaissance	4,776	108	4,170	714	-	-	714
Scholarships	5,436	4,755	4,600	5,591	-	-	5,591
Senior Class Trip	2,965	11,140	9,737	4,368	-	-	4,368
Soccer	746	2,723	2,650	819	-	-	819
Student Council	20	-	20	-	-	-	-
Student Rewards	880	-	1	879	-	-	879
Teachers Lounge - Drinks	116	1,386	1,204	298	-	-	298
Tennis - Boys & Girls	1,225	2,745	2,876	1,094	-	-	1,094
Track - Boys & Girls	3,103	-	705	2,398	-	-	2,398
Volleyball	486	633	1,008	111	-	-	111
Young Politicians	114	20	94	40	-	-	40
Text Rent Fees	6,234	5,283	6,663	4,854	-	-	4,854
Pep Club	1,008	354	422	940	-	-	940
Practical Living	300	1,368	1,227	441	-	-	441
	171,022	333,525	334,132	170,415	-	-	170,415
Less: Interfund Transfers	-	(17,909)	(17,909)	-	-	-	-
Totals	<u>\$ 171,022</u>	<u>\$ 315,616</u>	<u>\$ 316,223</u>	<u>\$ 170,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,415</u>

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Education Agencies	84.010	310000214	\$ 361,026	
		310000213	<u>109,159</u>	\$ 470,185
Title I, Part D	84.010	310010214	3,301	
		310010213	<u>8,700</u>	12,001
Migrant Education	84.011	31100214	130,522	
		31100213	2,539	
		31100212	<u>6,768</u>	139,829
Career and Technical Education - Basic Grants to States	84.048	371000214	5,904	
		371000213	<u>3,536</u>	9,440
Special Education Preschool Grants	84.173**	380000214	39,430	
		380000213	39,384	
		380000212	<u>2,603</u>	81,417
Title III, Part A, English Language Acquisition	84.365	33000014	18,470	
		33000013	<u>1,897</u>	20,367
Improving Teacher Quality State Grants	84.367	323000214	94,379	
		323000213	<u>2,808</u>	97,187
Special Education - Grants to States	84.027**	381000214	455,703	
		381000213	177,485	
		381000212	<u>96</u>	633,284
Rural School	84.358	314000214	32,288	
		314000213	<u>11,182</u>	43,470
Race to the Top	84.413	396000211		<u>1,585</u>
Total U. S. Department of Education				<u>1,508,765</u>

See Note to Schedule of Expenditures of Federal Awards

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program***	* 10.553	776000515	165,595	
		776000514	<u>116,413</u>	282,008
National School Lunch Program***	* 10.555	775000215	359,004	
		775000214	<u>250,380</u>	609,384
Summer Food Service Program for Children***	* 10.559	769002415	1,953	
		769002414	721	
		774002314	<u>6,962</u>	9,636
Noncash Assistance - Commodities (Note 4)		Fund 51		<u>38,537</u>
Total U.S. Department of Agriculture				<u>939,565</u>
Total Expenditures of Federal Awards				<u>\$ 2,448,330</u>

*Child Nutrition Cluster

**Special Education Cluster

***Major Program

See Note to Schedule of Expenditures of Federal Awards

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Webster County School District (the "District") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Webster County School District
Dixon, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Webster County School District (the "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 and have issued our report thereon dated November 11, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (item 2015-001).

Compliance and Other Matters

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

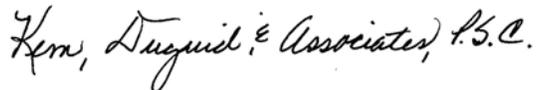
Webster County School District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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.

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2015

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Webster County School District
Dixon, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Webster 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

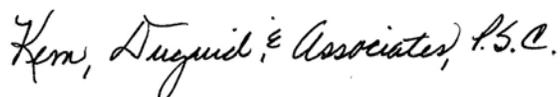
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2015

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program	10.559

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

Auditee qualified as a low-risk auditee? X yes ___ no

**WEBSTER COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

Reference 2015-001

Condition – The District does not have control over the preparation of the financial statements, including footnote disclosures, which would prevent or detect a misstatement in the financial statements. The independent auditor cannot be a compensating control for the client.

Criteria – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Effect – Lack of accountability and possible misstatement of financial statements, including footnote disclosures.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Response – It is not feasible for the District to invest the resources for a member of the financial accounting staff to obtain the training necessary to obtain the knowledge related to Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) pronouncements and to remain current with this knowledge. Management does not consider the deficiency to be imperative to the daily internal control operations of the District.

Section III – Federal Award Findings and Questioned Costs

None reported

**WEBSTER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-001 Internal Controls

The District does not have control over the preparation of the financial statements, including footnote disclosures, which would prevent or detect a misstatement in the financial statements. The independent auditor cannot be a compensating control

Recommendation – The District should designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Current Status – The finding was repeated.

MANAGEMENT COMMENTS FOR AUDIT

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



November 11, 2015

Members of the Board of Education
Webster County Board of Education
Dixon, Kentucky

In planning and performing our audit of the financial statements of Webster County School District (the "District") for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. A separate report dated November 11, 2015 contains our report on the District's internal control. This letter does not affect our report dated November 11, 2015 on the financial statements of the Webster County School District.

We will review the status of this comment during our next audit engagement. We have already discussed this comment with District personnel, and the implementation is currently being reviewed. We will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

We performed a follow-up on the prior year findings with the status of these findings documented on page 79 of this report.

This report is intended solely for the information and use of management, the members of the Webster County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Kem, Duguid & Associates, P.S.C.

Certified Public Accountants
Hopkinsville, Kentucky

**WEBSTER COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

WEBSTER COUNTY HIGH SCHOOL

Condition – Ticket sales testing of a randomly chosen sample revealed several instances of the ticket taker and person in charge of sales being the same individual.

Criteria – Accounting Procedures for Kentucky School Activity Funds (Red Book) requires that two people (ticket seller and ticket taker) are required to work the gate.

Cause – Oversight

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Red Book).

Recommendation – The ticket seller and ticket taker must be two different individuals.

Response – The school will comply with the recommendation.

**WEBSTER COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Purchase Orders

Condition – Instances were noted of purchase orders not being prepared properly, i. e., after-the-fact preparation and lack of signature by person requesting purchase.

Recommendation – All purchases are to be based upon a properly prepared purchase order prior to purchase with signature of person requesting purchase in addition to person approving the purchase.

Current Status - The finding was repeated for fiscal year June 30, 2014, and repeated at Webster County High School and Webster County Middle School for fiscal year June 30, 2015

Required Forms

Condition – The “Red Book” requires use of specific forms (or reasonable facsimiles) for certain activities such as (1) Multiple receipts, (2) Fundraising, (3) Inventory control, (4) Internal account – budgets, (5) Transfers, (6) ticket sales, and (7) Annual financial reports. Instances were noted where either the forms were not completed or completed incorrectly.

Recommendation – The principal and secretary at each school should review the “Red Book” and comply with its requirements regarding the use of required forms.

Current Status – The finding was repeated for fiscal year June 30, 2014. The finding was repeated only in regard to the lack of use of the Multiple Receipt Form by Webster County High School and Webster County Middle School for the fiscal year June 30, 2015.

Fixed Assets

Governmental accounting standards require the District to record and account for changes in its fixed assets, including depreciation. Deficiencies were noted in the recording of fixed assets. Specifically noted was the lack of incorporation of the fixed assets from the Providence Independent School District following merger, and fixed assets not being recorded on the fixed asset schedule. Also, the tagging of fixed assets has been inconsistent with the numerical sequence of the tags.

Recommendation – Strict adherence to the District’s fixed asset procedures. All fixed assets should be retagged using a consistent system of numbers with the corresponding school location numbers being incorporated into the number.

Current Status - The finding was not repeated for fiscal year June 30, 2015.