# WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
Williamsburg, Kentucky

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## AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statements***
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williamsburg Independent Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

***Opinions***
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***
*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and information regarding pension expense on pages three and four and 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***
In accordance with *Government Auditing Standards,* I have also issued my report dated November 7, 2016 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Barry D. Daulton, CPA, PSC***

Somerset, Kentucky
November 7, 2016

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**Williamsburg, Kentucky**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**
**For the year ended June 30, 2016**
**(Unaudited)**

Management of the Williamsburg Independent School District (Board) provides to readers and users of the accompanying financial statements an analysis and overview presentation of the Board's financial activities for the year ended June 30, 2016. Readers and users are encouraged to consider the information presented herein in conjunction with the audited financial statements and supplementary information contained within this report.

**Financial Highlights**

General revenues totaled $6.31 million, representing 81% of all revenues. General revenues consist primarily of tax assessments and state funding allocations. Program specific revenues of $1.55 million accounted for the remaining revenues and include charges for services, sales, grants, contributions, etc.

A decrease of $148,195 in total governmental fund balance is due primarily to increased operating expenses and stagnant revenues.

Of the total general fund revenue, approximately $1,066,000 was received in the form of local taxation and investment income.

**District-Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

**Notes to Financial Statements**
Additional information necessary to better understand the district-wide financial statements is presented in the notes to financial statements on pages 16 - 32.

**District-Wide Financial Analysis and Budgetary Implications**
The financial statements contained herein present an overall picture of limited financial resources operating within budgetary constraints. Due to limited revenues with which to fund all required operating expenditures, the Board has minimal cash reserves.

| Net Position for the period ending | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Current assets | $ 63,361 | $ 219,719 |
| Noncurrent assets | 6,746,517 | 6,968,351 |
| Deferred outflows | 399,346 | 241,419 |
| Total assets and deferred outflows | 7,209,224 | 7,429,489 |
| | | |
| Current liabilities | 225,450 | 257,161 |
| Noncurrent liabilities | 5,150,153 | 4,883,411 |
| Deferred inflows | 1,277 | 163,000 |
| Total liabilities and deferred inflows | 5,376,880 | 5,303,572 |
| | | |
| Net position | | |
| Invested in capital assets (net of debt) | 3,319,097 | 3,433,271 |
| Restricted fund balance | 53,037 | 31,649 |
| Unrestricted fund balance | (1,539,790) | (1,339,003) |
| Total net position | 1,832,344 | 2,125,917 |
| | | |
| Governmental revenues | 7,866,917 | 7,865,412 |
| Business type revenues | 687,724 | 574,084 |
| Total revenues | 8,554,641 | 8,439,496 |
| | | |
| Governmental expenses | 8,034,232 | 7,751,350 |
| Business type expenses | 650,861 | 568,253 |
| Total expenses | 8,685,093 | 8,319,603 |
| | | |
| Changes in net position | (251,390) | 55,073 |
| Change in accounting principle | - | (1,377,581) |
| Net position, beginning | 2,062,292 | 3,439,873 |
| Net position, ending | $ 1,810,902 | $ 2,062,292 |

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

# WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION - DISTRICT WIDE
### June 30, 2016

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 19,336 | $ 3,221 | $ 22,557 |
| Accounts receivable | 17,861 | - | 17,861 |
| Inventory | - | 22,943 | 22,943 |
| Capital assets: | | | |
| Land | 572,677 | - | 572,677 |
| Land improvements | 210,282 | - | 210,282 |
| Other capital assets, net of depreciation | 5,963,427 | 131 | 5,963,558 |
| **TOTAL ASSETS** | $ 6,783,583 | $ 26,295 | $ 6,809,878 |
| **DEFERRED OUTFLOWS** | | | |
| Deferred outflows related to pension expense | 399,346 | - | 399,346 |
| Total deferred outflows | 399,346 | - | 399,346 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS** | $ 7,182,929 | $ 26,295 | $ 7,209,224 |
| **LIABILITIES** | | | |
| Accounts payable and accrued liabilities | 19,810 | - | 19,810 |
| Deferred revenues | 443 | - | 443 |
| Long-term liabilities | | | |
| Due or payable within one year | | | |
| Bonds payable | 194,485 | - | 194,485 |
| Capital lease payable | 10,712 | - | 10,712 |
| Due or payable after one year | | | |
| Bond obligations | 3,150,083 | - | 3,150,083 |
| Capital lease payable | 72,140 | - | 72,140 |
| Net pension liability - CERS | 1,927,930 | - | 1,927,930 |
| **TOTAL LIABILITIES** | 5,375,603 | - | 5,375,603 |
| **DEFERRED INFLOWS** | | | |
| Deferred inflows related to pension expense | 1,277 | - | 1,277 |
| Total deferred outflows | 1,277 | - | 1,277 |
| **TOTAL LIABILITIES AND DEFERRED OUTFLOWS** | 5,376,880 | - | 5,372,027 |
| **NET POSITION** | | | |
| Net investment in capital assets | 3,318,966 | 131 | 3,319,097 |
| Restricted for: | | | |
| Inventories | - | 22,943 | 22,943 |
| Purchase obligations | 30,094 | - | 30,094 |
| Unrestricted | (1,543,011) | 3,221 | (1,539,790) |
| **TOTAL NET POSITION** | $ 1,806,049 | $ 26,295 | $ 1,832,344 |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF ACTIVITIES**
**for the year ended June 30, 2016**

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|---|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS/ CONTR | CAPITAL GRANTS/ CONTR | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| Governmental activities | | | | | | | |
| Instructional | $ 4,643,632 | | $ 1,116,213 | | $ (3,527,419) | | $ (3,527,419) |
| Student support services | 366,524 | | | | (366,524) | | (366,524) |
| Staff support services | 304,784 | | | | (304,784) | | (304,784) |
| District administration | 565,553 | | | | (565,553) | | (565,553) |
| School administration | 344,677 | | | | (344,677) | | (344,677) |
| Business support services | 231,692 | | | | (231,692) | | (231,692) |
| Plant operation and maintenance | 987,403 | | | | (987,403) | | (987,403) |
| Student transportation | 381,370 | | | | (381,370) | | (381,370) |
| Community service | 78,268 | | | | (78,268) | | (78,268) |
| Debt service | 233,524 | | | 345,537 | 112,013 | | (51,645) |
| Total governmental activities | 8,137,427 | | 1,116,213 | 345,537 | (6,675,677) | | (6,839,335) |
| Business-type activities | | | | | | | |
| Food service | 650,861 | 39,266 | 648,458 | - | - | 36,863 | 36,863 |
| Total business-type activities | 650,861 | 39,266 | 648,458 | - | - | 36,863 | 36,863 |
| Total school district | $ 8,788,288 | $ 39,266 | $ 1,764,671 | $ 345,537 | (6,675,677) | 36,863 | (6,802,472) |
| Transfers | | | | | | | |
| General revenues: | | | | | | | |
| Taxes | | | | | 1,064,015 | - | 1,064,015 |
| State aid - formula grants | | | | | 5,065,128 | - | 5,065,128 |
| Investment earnings | | | | | 2,112 | - | 2,112 |
| Miscellaneous | | | | | 273,912 | - | 273,912 |
| Operating transfers | | | | | 19,120 | (19,120) | - |
| Total general and special revenues | | | | | 6,424,287 | (19,120) | 6,405,167 |
| Change in net position | | | | | (251,390) | 17,743 | (233,647) |
| Net position - July 1, 2015 | | | | | 2,062,292 | 8,552 | 2,070,844 |
| Net position - June 30, 2016 | | | | | $ 1,810,902 | $ 26,295 | $ 1,837,197 |

The accompanying notes are an integral part of these statements.

## WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
## BALANCE SHEET - GOVERNMENTAL FUNDS
## June 30, 2016

| | GENERAL FUND | SPECIAL REVENUE | OTHER GOVERNMENTAL | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 31,468 | $ (16,985) | $ 4,853 | $ 19,336 |
| Accounts receivable | - | 17,861 | - | 17,861 |
| TOTAL ASSETS | $ 31,468 | $ 876 | $ 4,853 | $ 37,197 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| LIABILITIES | | | | |
| Accounts payable | $ 14,524 | $ 433 | $ - | $ 14,957 |
| Other liabilities | - | - | 4,853 | 4,853 |
| Deferred revenues | - | 443 | - | 443 |
| TOTAL LIABILITIES | 14,524 | 876 | 4,853 | 20,253 |
| **FUND BALANCE** | | | | |
| Assigned for: | | | | |
| Purchase obligations | 30,094 | - | - | 30,094 |
| Unassigned | (13,150) | - | - | (13,150) |
| TOTAL FUND BALANCES | 16,944 | - | - | 16,944 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 31,468 | $ 876 | $ 4,853 | $ 37,197 |

The accompanying notes are an integral part of these statements.

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE DISTRICT-WIDE STATEMENTS OF NET POSITION

**June 30, 2016**

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

| | | |
|---|---|---|
| Total governmental fund balance | $ | 16,944 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | | |
| Capital assets, net | | 6,746,386 |
| Deferred outflows related to pension expense | | 399,346 |
| Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | |
| Long term liabilities at year end consist of: | | |
| Bonds payable | | (3,344,568) |
| Capital leases payable | | (82,852) |
| Net pension liability - CERS | | (1,927,930) |
| Deferred inflows related to pension expense | | (1,277) |
| Total net position - governmental | $ | 1,806,049 |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**for the year ended June 30, 2016**

| | GENERAL FUND | SPECIAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| Revenues | | | | |
| Taxes | $ 978,590 | $ - | $ 85,425 | $ 1,064,015 |
| Earnings on investments | 2,112 | - | - | 2,112 |
| State sources | 5,065,128 | 435,010 | 345,537 | 5,845,675 |
| Student activities | 167,672 | - | - | 167,672 |
| Federal sources | 8,372 | 681,203 | - | 689,575 |
| Other sources | 97,868 | - | - | 97,868 |
| Total revenues | 6,319,742 | 1,116,213 | 430,962 | 7,866,917 |
| Expenditures | | | | |
| Instructional | 3,757,518 | 879,590 | - | 4,637,108 |
| Student support services | 366,524 | - | - | 366,524 |
| Staff support services | 135,812 | 168,837 | - | 304,649 |
| District administration | 565,308 | - | - | 565,308 |
| School administration | 344,677 | - | - | 344,677 |
| Business support services | 231,318 | - | - | 231,318 |
| Plant operation/maintenance | 750,502 | - | - | 750,502 |
| Student transportation | 351,488 | 7,208 | - | 358,696 |
| Community service | - | 78,268 | - | 78,268 |
| Debt service | 28,352 | - | 368,830 | 397,182 |
| Total expenditures | 6,531,499 | 1,133,903 | 368,830 | 8,034,232 |
| Excess (deficit) of revenues over expenditures | (211,757) | (17,690) | 62,132 | (167,315) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 62,132 | 17,690 | 278,698 | 358,520 |
| Indirect cost transfer | 19,120 | - | - | 19,120 |
| Operating transfers out | (17,690) | - | (340,830) | (358,520) |
| Total other financing sources (uses) | 63,562 | 17,690 | (62,132) | 19,120 |
| Net change in fund balances | (148,195) | - | - | (148,195) |
| Fund balances July 1, 2015 | 165,139 | - | - | 165,139 |
| Fund balances June 30, 2016 | $ 16,944 | $ - | $ - | $ 16,944 |

The accompanying notes are an integral part of these statements.

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

**June 30, 2016**

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

| | |
|---|---|
| Net changes - governmental funds: | $ (148,195) |
| Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year. | |
| Depreciation expense | (266,853) |
| Acquisitions and retirements, net | (45,124) |
| Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | |
| Principal and capital leases paid | 218,864 |
| Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds | |
| Changes in accrued liabilities | (10,082) |
| Changes in net position - governmental funds | $ (251,390) |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**BALANCE SHEET**
**NON-MAJOR GOVERNMENTAL FUNDS**
**June 30, 2016**

| | CAPITAL OUTLAY | BUILDING FUND | DEBT SERVICE | TOTAL |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ - | $ - | $ 4,853 | $ 4,853 |
| TOTAL ASSETS | $ - | $ - | $ 4,853 | $ 4,853 |
| **LIABILITIES** | | | | |
| Other liabilities | - | - | 4,853 | 4,853 |
| TOTAL LIABILITIES | - | - | 4,853 | 4,853 |
| **FUND BALANCES** | | | | |
| Unassigned | - | - | - | - |
| Total fund balance | - | - | - | - |
| TOTAL LIABILITIES AND FUND BALANCE | $ - | $ - | $ 4,853 | $ 4,853 |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**NON-MAJOR GOVERNMENTAL FUNDS**
**for the year ended June 30, 2016**

| | CAPITAL OUTLAY | BUILDING FUND | DEBT SERVICE | TOTAL NON-MAJOR GOV'T FUNDS |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ - | $ 85,425 | $ - | $ 85,425 |
| State sources | 71,861 | 183,544 | 90,132 | 345,537 |
| Total revenues | 71,861 | 268,969 | 90,132 | 430,962 |
| EXPENDITURES | | | | |
| Debt service | - | - | 368,830 | 368,830 |
| Total expenditures | - | - | 368,830 | 368,830 |
| Excess (deficit) of revenues over expenditures | 71,861 | 268,969 | (278,698) | 62,132 |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 278,698 | 278,698 |
| Operating transfers out | (71,861) | (268,969) | - | (340,830) |
| Total other financing sources (uses) | (71,861) | (268,969) | 278,698 | (62,132) |
| Net change in fund balance | - | - | - | - |
| Fund balance July 1, 2015 | - | - | - | - |
| | | | - | |
| Fund balance June 30, 2016 | $ - | $ - | $ - | $ - |

The accompanying notes are an integral part of these statements.

## WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION - PROPRIETARY FUNDS
## June 30, 2016

| | FOOD SERVICE | TOTAL |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 3,221 | $ 3,221 |
| Accounts receivable | - | - |
| Inventories for consumption | 22,943 | 22,943 |
| Total current assets | 26,164 | 26,164 |
| Noncurrent assets | | |
| Invested in capital assets, net of depreciation | 131 | 131 |
| **TOTAL ASSETS** | $ 26,295 | $ 26,295 |
| **LIABILITIES** | | |
| Accounts payable | $ - | $ - |
| **TOTAL LIABILITIES** | - | - |
| **NET POSITION** | | |
| Invested in capital assets | 131 | 131 |
| Restricted for: | | |
| Inventories | 22,943 | 22,943 |
| Unrestricted | 3,221 | 3,221 |
| **TOTAL NET POSITION** | $ 26,295 | $ 26,295 |

The accompanying notes are an integral part of these statements.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2016

| | FOOD SERVICE | TOTAL |
|---|---|---|
| **OPERATING REVENUES** | | |
| Lunchroom sales | $ 37,378 | $ 37,378 |
| Other operating revenues | 1,888 | 1,888 |
| Total operating revenues | 39,266 | 39,266 |
| **OPERATING EXPENSES** | | |
| Food service operations | 650,861 | 650,861 |
| Total operating expenses | 650,861 | 650,861 |
| Operating income (loss) | (611,595) | (611,595) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Federal grants | 532,633 | 532,633 |
| State grants | 89,051 | 89,051 |
| Donated commodities | 26,774 | 26,774 |
| Total nonoperating revenues | 648,458 | 648,458 |
| Change in net position, operating | 36,863 | 36,863 |
| Operating transfers (out) | (19,120) | (19,120) |
| Change in net position | 17,743 | 17,743 |
| Net position July 1, 2015 | 8,552 | 8,552 |
| Net position June 30, 2016 | $ 26,295 | $ 26,295 |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**
**for the year ended June 30, 2016**

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from lunchroom sales | $ | 39,266 |
| Cash received from federal and state reimbursements | | 621,684 |
| Cash payments for salaries and benefits | | (233,326) |
| Cash payments to suppliers | | (381,587) |
| Cash transfers | | (19,120) |
| Net cash provided by operating activities | | 26,917 |
| Net increase in cash equivalents | | 26,917 |
| Cash and cash equivalents July 1, 2015 | | (23,696) |
| Cash and cash equivalents June 30, 2016 | $ | 3,221 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating income (loss) | $ | (611,595) |
| Non-operating revenues | | 648,458 |
| Operating transfers out | | (19,120) |
| Depreciation | | 105 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | |
| Increase in inventory | | (10,384) |
| Increase in accounts payable | | (911) |
| Increase in receivables | | 20,364 |
| Net cash provided by operating activities | $ | 26,917 |
| **Non-cash transactions** | | |
| Donated commodities | $ | 26,774 |

The accompanying notes are an integral part of these statements.

**WILLIAMSBURG INDEPENDENT SCHOOL**
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**
**June 30, 2016**

| | Student Activity Funds |
|---|---|
| ASSETS | |
| Cash and cash equivalents | $ - |
| TOTAL ASSETS | - |
| LIABILITIES | |
| Owed to student groups | - |
| TOTAL LIABILITIES | - |
| TOTAL NET POSITION | $ - |

The accompanying notes are an integral part of these statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

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

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

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

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

District-Wide and Fund Financial Statements

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

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

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Fund Accounting

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

I. Governmental Fund Types

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

B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balance are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report. Accounts receivable in the Special Revenue Fund represent amounts due to the District through various grant agreements. Conversely, deferred revenues represent funds received by the District not yet spent under grant agreements.

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

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

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

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

IV. Fiduciary Fund Type

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

V. Property Taxes

The District's property taxes are levied each year on the assessed value listed as of the prior January 1 for all real and business tangible property located in the District. The assessed value of the certified roll, upon which the levy for the 2015-2016 fiscal year was based, was $151,645,535 for real property and $15,037,624 for business tangible property. The District collects its own taxes.

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

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

### Budgetary Process

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

### Cash and Cash Equivalents

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

### Inventories

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

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

Payroll
District employees are paid twice each month throughout the calendar year. Payroll checks for the summer months were processed prior to June 30, 2016. The cash balances on June 30, 2016 have been reduced by the outstanding payroll checks.

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

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

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

## NOTE B - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was $ 324,083. Carrying amounts do not reflect deposits in transit or outstanding checks. Of the total cash balance, $250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2016, exclusive of activity funds, consisted of the following:

| | | | |
|---|---|---|---|
| First State Bank | Operating Account | $ | 15,904 |
| First State Bank | Payroll Account | | 1,500 |
| Community Trust Bank | Debt Service | | 4,853 |
| Petty cash (tax collection) | | | 300 |
| | | $ | 22,557 |

## NOTE C - BONDED DEBT AND LEASE OBLIGATIONS

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

The District, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Williamsburg Independent School District Finance Corporation and the Kentucky School Facilities Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.
In 1993, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the obligations of the District at June 30, 2016 for debt service (principal and interest) are detailed on page 34.

## KISTA REMARKETING ISSUE

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

## JUNE 2005 BOND ISSUE

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

## NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2016, this amount has not been accrued because the amount is immaterial to the financial statements.

## NOTE E - RETIREMENT PLANS

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

### General Information About the County Employees Retirement System (CERS)

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

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

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

**NOTE E - RETIREMENT PLANS, continued**

Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. Retirement benefits are based on a factor of the number of years of 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 of service is required for death benefits prior to retirement and the employees 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 of service is required for nonservice-related disability benefits.

*Contributions* – Required contributions by the employee are based on the following tiers:

| | Required Contribution |
|---|---|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

The District matches at a rate of 17.76% of the employee's total covered compensation. The District's matching contributions total $171,631 for the year ended June 30, 2016.

**General Information about the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS)**

*Plan description* – The District's teaching certified employees and other employees whose positions require at least a college degree are provided pensions through 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 of Kentucky. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS 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.

**NOTE E - RETIREMENT PLANS, continued**

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is 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% 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 highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three highest annual salaries to compute the final average salary. KTRS also provides disability for vested employees at the rate of 60% 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 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions*- Contribution rates are established by KRS. Non-university members are required to contribute 12.105% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district members 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, Kentucky Revised Statue 161.675 requires KTRS to provide post-retirement healthcare to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees

**NOTE E - RETIREMENT PLANS, continued**

Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding Policy* - In order to fund the post-retirement healthcare benefit, six percent (6.0%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.0%) is paid by member contributions and three quarter percent (.75%) from state 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, 2016, the Williamsburg Independent School District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State 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 | $ 1,927,930 |
| State's proportionate share of the net pension liability associated with the District | $22,908,545 |

The net pension liability was measured as of June 30, 2015, 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 was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's portion was .044841 percent. For the year ended June 30, 2016 the District recognized pension expense of $216,399 related to CERS.

**NOTE E - RETIREMENT PLANS, continued**

The District reported approximate deferred outflows of resources and deferred inflows of resources related to pension expense from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 16,022 | $ - |
| Changes of assumptions | 194,411 | - |
| Net difference between projected and actual earning on pension plan investments | 17,282 | - |
| Changes in proportion and differences between District Contributions and proportionate share of contributions | - | 1,277 |
| District contributions subsequent to the measurement date | 171,631 | - |
| Total | $ 399,346 | $ 1,277 |

$171,631 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 inflows related to pensions will be recognized in pension expense as follows :

| Year ended June 30: | |
|---|---|
| 2017 | 222,764 |
| 2018 | 222,764 |
| 2019 | 51,618 |
| 2020 | 32,600 |

*Actuarial assumptions* – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CERS | KTRS |
|---|---|---|
| Inflation | 3.50% | 3.50% |
| Projected salary increases | 4.50% | 4.0-8.2% |
| Investment rate of return, net of investment expense & inflation | 7.75% | 7.50% |

For CERS, mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table for all retired employees and beneficiaries.

## NOTE E - RETIREMENT PLANS, continued

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 one year for females. The last experience study was performed in 2011, and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten 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 long-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:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equity | 45.0% | 6.4% |
| Non U. S. Equity | 17.0% | 6.5% |
| Fixed Income | 24.0% | 1.6% |
| High Yield Bonds | 4.0% | 3.1% |
| Real Estate | 4.0% | 5.8% |
| Alternatives | 4.0% | 6.8% |
| Cash | 2.0% | 1.5% |
| Total | 100.% | |

**NOTE E - RETIREMENT 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 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 period 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 that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* – The following table presents the District's net pension liability 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 one percentage point lower, or one percentage point higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| CERS | 6.75% | 7.75% | 8.75% |
| District's proportionate share of net pension liability | $ 2,399,502 | $ 1,927,930 | $ 1,423,371 |
| KTRS | 4.23% | 5.23% | 6.23% |
| District's proportionate share of net pension liability | - | - | - |
| System total net pension liability | $ 30,402,796,00 | $ 24,427,568,000 | $ 19,482,972,000 |

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

## NOTE F - CONTINGENCIES

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

## NOTE G - INSURANCE AND RELATED ACTIVITIES

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

## NOTE H - LUNCHROOM ACCOUNT/COMMODITIES

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

## NOTE I - RISK MANAGEMENT

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

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

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss.

## NOTE J - DEFICIT OPERATING/FUND BALANCES

At June 20, 2016, the following funds experienced a current year deficit of expenditures over revenue:

| | |
|---|---|
| General fund | $ (211,757) |
| Special revenue | $ ( 17,690) |

## NOTE K - ON BEHALF PAYMENTS

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

| | |
|---|---|
| KTRS | $ 524,928 |
| Health insurance | 912,354 |
| Life insurance | 1,419 |
| Administrative fee | 10,386 |
| HRA/dental/vision | 29,255 |
| Federal reimbursement | (73,634) |
| KEN Network | 44,900 |
| MUNIS software | 2,024 |
| Virus protection | 799 |
| KISTA payments | 14,670 |
| SFCC payments | 75,462 |
| Total | $1,542,533 |

## NOTE L - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is presented on page 35. Capital assets are depreciated over their respective useful lives, which currently vary from five to forty years.

## NOTE M - KTRS and CERS NET PENSION LIABILITY

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to government 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.

WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

## CAPITAL ASSET NOTE DISCLOSURE

| | BEGINNING BALANCE | ADDITIONS | RETIREMENTS | ENDING BALANCE |
|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | |
| Land and improvements | $ 782,959 | $ - | $ - | $ 782,959 |
| Technology equipment | 680,909 | - | - | 680,909 |
| Buildings and improvements | 10,053,712 | - | - | 10,053,712 |
| Vehicles | 610,385 | 24,281 | - | 634,666 |
| General equipment | 359,277 | 20,843 | - | 380,120 |
| Totals at historical cost | 12,487,242 | 45,124 | - | 12,532,366 |
| Less accumulated depreciation for: | | | | |
| Land and improvements | 210,650 | 1,374 | | 212,024 |
| Buildings and improvements | 3,803,667 | 226,885 | | 4,030,552 |
| Technology equipment | 680,609 | - | - | 680,609 |
| Vehicles | 504,714 | 28,752 | | 533,466 |
| General equipment | 319,487 | 9,842 | | 329,329 |
| Total accumulated depreciation | 5,519,127 | 266,853 | - | 5,785,980 |
| **GOVERNMENTAL ACTIVITIES CAPITAL NET** | $ 6,968,115 | $ 221,729 | $ - | $ 6,746,386 |
| **PROPRIETARY ACTIVITIES** | | | | |
| Technology equipment | 6,698 | - | - | 6,698 |
| General equipment | 85,828 | - | - | 85,828 |
| Totals at historical cost | 92,526 | - | - | 92,526 |
| Less accumulated depreciation for: | | | | |
| Technology equipment | 6,698 | - | - | 6,698 |
| General equipment | 85,592 | 105 | | 85,697 |
| Total accumulated depreciation | 92,290 | 105 | - | 92,395 |
| **PROPRIETARY ACTIVITIES CAPITAL NET** | $ 236 | $ 105 | | $ 131 |

**DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

| | |
|---|---|
| Instructional | $ 6,524 |
| Staff support services | 135 |
| District administration | 245 |
| Business support services | 374 |
| Plant operation/maintenance | 236,901 |
| Student transportation | 22,674 |
| Total | $ 266,853 |

| Year Ending June 30 | 2010 Series Principal | Interest* | Total |
|---|---|---|---|
| 2017 | 194,485 | 81,354 | 275,839 |
| 2018 | 198,342 | 78,433 | 276,775 |
| 2019 | 198,063 | 75,056 | 273,119 |
| 2020 | 203,068 | 71,103 | 274,171 |
| 2021 | 206,361 | 66,668 | 273,029 |
| 2022 | 210,515 | 61,916 | 272,431 |
| 2023 | 218,515 | 56,842 | 275,357 |
| 2024 | 222,384 | 51,441 | 273,825 |
| 2025 | 225,079 | 45,716 | 270,795 |
| 2026 | 232,353 | 39,671 | 272,024 |
| 2027 | 235,215 | 33,262 | 268,477 |
| 2028 | 238,639 | 26,531 | 265,170 |
| 2029 | 245,890 | 19,440 | 265,330 |
| 2030 | 256,046 | 11,949 | 267,995 |
| 2031 | 259,613 | 4,061 | 263,674 |
| Totals | $ 3,344,568 | $ 723,442 | $ 4,068,010 |

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

KISTA CAPITAL LEASE PAYMENTS

| | |
|---|---|
| 2017 | 10,712 |
| 2018 | 10,873 |
| 2019 | 10,855 |
| 2020 | 10,834 |
| 2021 | 10,811 |
| 2022 | 10,783 |
| 2023 | 9,014 |
| 2024 | 8,970 |
| Totals | $ 82,852 |

A summary of bond and capital lease activity for the year ended June 30, 2016 is as follows:

| | Bonds | Capital Leases | Total |
|---|---|---|---|
| Balance July 1, 2015 | $ 3,535,080 | $ 111,204 | $ 3,646,284 |
| Issued | - | - | 0 |
| Retired | (190,512) | (28,352) | (218,864) |
| Balance June 30, 2016 | $ 3,344,568 | $ 82,852 | $ 3,427,420 |

## WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT
## BUDGETARY COMPARISON SCHEDULE FOR GENERAL FUND
**for the year ended June 30, 2016**

| | FINAL BUDGET | ACTUAL | VARIANCE W/FINAL BUDGET POSITIVE (NEGATIVE) |
|---|---|---|---|
| Revenues | | | |
| Taxes | $ 996,632 | $ 978,590 | $ (18,042) |
| Other local sources | 45,300 | 267,652 | 222,352 |
| State sources | 4,823,031 | 5,065,128 | 242,097 |
| Federal sources | 5,000 | 8,372 | 3,372 |
| Other sources | - | - | - |
| Total revenues | 5,869,963 | 6,319,743 | 449,780 |
| Expenditures | | | |
| Instructional | 3,378,372 | 3,757,518 | (379,146) |
| Student support services | 357,994 | 366,524 | (8,530) |
| Staff support services | 143,899 | 135,812 | 8,087 |
| District administration | 654,993 | 565,308 | 89,685 |
| School administration | 333,678 | 344,677 | (10,999) |
| Business support services | 187,132 | 231,318 | (44,186) |
| Plant operation/maintenance | 740,483 | 750,502 | (10,019) |
| Student transportation | 318,204 | 351,488 | (33,284) |
| Debt service | 28,352 | 28,352 | - |
| Total expenditures | 6,143,107 | 6,531,499 | (388,392) |
| Excess of revenues over expenditures | (273,144) | (211,756) | 61,388 |
| Operating transfers in | 90,679 | 62,132 | 28,547 |
| Indirect cost transfer | 21,000 | 19,120 | 1,880 |
| Operating transfers out | (11,000) | (17,690) | 6,690 |
| Total other financing sources (uses) | 100,679 | 63,562 | 37,117 |
| Net change in fund balance | (172,465) | (148,194) | 24,271 |
| Fund balance July 1, 2015 | 172,465 | 165,139 | (7,326) |
| Fund balance June 30, 2016 | $ - | $ 16,945 | $ 16,945 |

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**BUDGETARY COMPARISON - SPECIAL REVENUE**
**for the year ended June 30, 2016**

| | BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| Other sources | $ - | $ - | $ - |
| State sources | 406,314 | 435,010 | 28,696 |
| Federal sources | 681,774 | 681,203 | (571) |
| Total revenues | 1,088,088 | 1,116,213 | 28,125 |
| **EXPENDITURES** | | | |
| Instructional | 840,600 | 879,590 | (38,990) |
| Staff support services | 176,085 | 168,837 | 7,248 |
| Student transportation | 4,711 | 7,208 | (2,497) |
| Community services | 77,692 | 78,268 | (576) |
| Total expenditures | 1,099,088 | 1,133,903 | (34,815) |
| Excess of expenditures over revenue | (11,000) | (17,690) | (6,690) |
| Fund transfers | 11,000 | 17,690 | 6,690 |
| Net increase (decrease) in fund balance | - | - | - |
| Fund balance July 1, 2015 | - | - | - |
| Fund balance June 30, 2016 | $ - | $ - | $ - |

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF RECEIPTS AND DISBURSEMENTS**
**ACTIVITY FUND**
**for the year ended June 30, 2016**

| Account | Beginning Cash 7/1/2015 | Receipts | Expenses | Ending Cash 6/30/2016 |
|---|---|---|---|---|
| Bookstore | $ 39 | | $ 39 | - |
| Field trips | 412 | | 412 | - |
| Annual totals | $ 451 | $ - | $ 451 | $ - |

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRIST**
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**
**OF CERS NET PENSION LIABILITY**
**June 30, 2016**

| Measurement date June 30 | 2014 | 2015 |
|---|---|---|
| District's proportion of the net pension liability | 0.04489% | 0.45% |
| District's proportionate share of the net pension liability | $ 1,456,000 | $ 1,927,930 |
| District's covered employee payroll | $ 1,254,671 | $ 1,289,487 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 116.04% | 149.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.80% | 66.80% |

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

## WILLIAMSBURG INDEPENDENT SCHOOL DISTRIST
## SCHEDULE OF CONTRIBUTIONS TO CERS
## June 30, 2016

| Measurement date June 30 | 2014 | 2015 |
|---|---|---|
| Contractually required amount | $ 185,358 | $ 171,631 |
| Contributions in relation to the contractually required contribution | $ (185,358) | $ (171,631) |
| Contribution deficiency (excess) | - | 0 |
| District's covered-employee payroll | $ 1,254,671 | $ 1,289,487 |
| Contributions as a percentage of covered-employee payroll | 19.24% | 13.40% |

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

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS

**Changes of benefit terms:** There have been no changes in benefit terms during the period covered by the required supplementary information (2014 and 2015)

**Changes of assumptions:**
The assumed investment rate of return was decreased from 7.75% to 7.50%.
The assumed rate of inflation was reduced from 3.5% to 3.25%.
The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
Payroll growth assumption was reduced from 4.50% to 4.00%.
The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females.)
For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females.)
For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

**Period covered by the required supplementary information:** GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", an amendment to GASB Statement No. 27, required the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRIST**
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**
**OF KTRS NET PENSION LIABILITY**
**June 30, 2016**

| Measurement date June 30 | 2014 | 2015 |
|---|---|---|
| District's proportion of the net pension liability | 0.00% | 0.00% |
| District's proportionate share of the net pension liability | $ - | 0 |
| Commonwealth's proportionate share of the net pension liability associated with the District | $ 22,908,545 | $ 25,381,616 |
| District's covered employee payroll | $ 3,521,411 | $ 3,582,310 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0 |
| Plan fiduciary net position as a percentage of the total pension liability | 45.590% | 45.590% |

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

## WILLIAMSBURG INDEPENDENT SCHOOL DISTRIST
## SCHEDULE OF CONTRIBUTIONS TO KTRS
## June 30, 2016

| Measurement date June 30 | 2014 | 2015 |
|---|---|---|
| Contractually required amount | $ 116,743 | $ 157,620 |
| Contributions in relation to the contractually required contribution | $ (116,743) | $ (157,620) |
| Contribution deficiency (excess) | - | 0 |
| District's covered-employee payroll | $ 3,521,411 | $ 3,582,310 |
| Contributions as a percentage of covered-employee payroll | 3.32% | 4.400% |

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

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - KTRS

**Changes of benefit terms:** There have been no changes in benefit terms during the period covered by the required supplementary information (2014 and 2015).

**Changes of assumptions:** There have been no changes of assumptions during the period covered by the required supplementary information (2014 and 2015)

**Period covered by the required supplementary information:** GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", an amendment to GASB Statement No. 27, required the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The District has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**Williamsburg, Kentucky**

**BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL**
**June 30, 2016**

**BOARD MEMBERS**

Dr. John Jeffries, chairman

Roger Faulkner, vice chairman

Kim Williams

Allan W. Steely

Kim B. White

**ADMINISTRATIVE PERSONNEL**

Dr. Amon Couch, Superintendent – July 1, 2016 - present
Dennis W. Byrd, Superintendent – retired June 30, 2016
Loren Connell, Director of Instruction
Tim Melton, Principal
Patrick Robinson, Director of Pupil Personnel
Dana Hale, Director of Special Education
David Higginbotham, School Business Manager
Steve Mosley, Chief Information Officer

## WILLIAMSBURG INDEPENDENT SCHOOLS

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### FOR THE YEAR ENDED JUNE 30, 2016

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | CFDA Number | Passthrough/ MUNIS | | Current Year Expenses |
|---|---|---|---|---|
| **United States Department of Agriculture** | | | | |
| Passed through KY Department of Education | | | | |
| ***Child Nutrition Cluster*** | | | | |
| National School Breakfast Program | 10.553 | 7760005-15 | | 158,565 |
| National School Lunch Program | 10.555 | 7750002-15 | | 316,448 |
| Summer Food Service Program | 10.559 | 7740023-15 | | 36,224 |
| Passed through KY Department of Agriculture | | | | |
| Non-monetary food donations | 10.550 | 510-4950 | | 26,774 |
| ***Child Nutrition Cluster Total*** | | | | 538,011 |
| **United States Department of Education** | | | | |
| Passed through KY Department of Education | | | | |
| *Title I Cluster* | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 3105/310B | * | 406,682 |
| *Special Education Cluster* | | | | |
| Special Education Grants to States - IDEA Basic | 84.027 | 3375/337B | * | 157,536 |
| Special Education Grants to States - IDEA Preschool | 84.173 | 343B | * | 7,769 |
| ***Special Education Cluster Total*** | | | | 571,987 |
| Rural Education Achievement | 84.358A | 350B | | 15,733 |
| Improving Teacher Quality | 84.367 | 401B | | 63,971 |
| Race to the Top | 84.413A | 4521 | | 17,861 |
| Total United States Department of Education | | | | 669,552 |
| **Total Expenditures of Federal Awards** | | | | $ 1,207,563 |

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

*Audited as a major program under the requirements of Uniform Guidance

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200.516 (a) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).*

Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

The following CFDA numbers are considered cluster programs:

| | |
|---|---|
| Special Education Cluster | 84.027 |
| | 84.173 |
| Child Nutrition Cluster | 10.555 |
| | 10.553 |
| | 10.559 |


40

**BARRY D. DAULTON, CPA, PSC**
***Certified Public Accountant***
423 East Mount Vernon Street
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Somerset, Kentucky 42502
(606) 679-9344

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Kentucky State Committee for School District Audits Kentucky Public School Districts' Audit Contract and Requirements the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williamsburg Independent Schools as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 7, 2016.

### Internal Control over Financial Reporting

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Kentucky Public School Districts' Audit Contract and Requirements. There were additional matters communicated to the auditee in the management letter.

**Purpose of this Report**

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

***Barry D. Daulton, CPA, PSC***

Somerset, Kentucky
November 7, 2016

**BARRY D. DAULTON, CPA, PSC**
***Certified Public Accountant***
423 East Mount Vernon Street
P.O. Box 1424
Somerset, Kentucky 42502
(606) 679-9344

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**
I have audited the Williamsburg Independent School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

**Auditor's Responsibility**
My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***Barry D. Daulton, CPA, PSC***

Somerset, Kentucky
November 7, 2016

**WILLIAMSBURG INDEPENDENT SCHOOL DISTRICT**
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**June 30, 2016**

There are no prior audit findings.

**WILLIAMSBURG INDEPENDENT SCHOOLS**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**for the year ended June 30, 2016**

| SUMMARY OF AUDITOR'S RESULTS | YES | NO |
|---|---|---|
| **FINANCIAL STATEMENTS** | | |
| Type of auditors' report issued | unmodified | |
| Internal control over financial reporting: | | |
| Material weakness identified | | x |
| Significant deficiencies identified that are not considered to be material weaknesses | | none reported |
| Noncompliance material to financial statements | | x |
| **FEDERAL AWARDS** | | |
| Internal control over major programs: | | |
| Material weaknesses identified | | x |
| Significant deficiencies identified that are not considered to be material weaknesses | | 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 Title 2 U.S Code of Federal Regulations Part 200.516(a) (*Uniform Guidance)* | | x |
| **IDENTIFICATION OF MAJOR PROGRAMS** | | |
| Title I Grants to Local Educational Agencies | 84.010 | |
| Special Education Grants to States - IDEA Basic | 84.027 | |
| Dollar threshhold used to distinguish between Type A and Type B programs | $ 750,000 | |
| Auditee qualified as low risk | x | |

**FINANCIAL STATEMENTS FINDINGS**

None

**FEDERAL AWARD FINDINGS**

None

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## MANAGEMENT LETTER

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

In planning and performing my audit of the financial statements of Williamsburg Independent School District for the year ended June 30, 2016, I considered the District's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

**Current Year Conditions**
There are no current year conditions to be addressed in the management letter.

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

I have reported on the District's internal control structure in my report dated October 30, 2016. This letter does not affect my report dated October 30, 2016 on the financial statements of Williamsburg Independent School District.

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

Sincerely,
*Barry D. Daulton, CPA, PSC*