

WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamstown Independent Board of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2017 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.

## **Emphasis of Matter**

As described in Note R to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 13 and budgetary comparison information on pages 51 and 52 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 53 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, and the statement of receipts, disbursements, and due to student groups-Williamstown High School 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Williamstown High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 29, 2017

**WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2017**

As management of the Williamstown Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning cash balance for the District was \$1,946,567.

The ending cash balance for the District was \$2,018,792.

The General Fund had \$6,742,603 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$6,725,906 in General Fund expenditures. This includes on-behalf payments.

All employees received step and/or rank increases based on the salary schedules.

The District purchased two new school buses for \$188,923.

The District created a full time Curriculum/Instructional Coach position to serve all grade levels.

The District approved a lease agreement to purchase 100 workstations from Dell for \$42,500.

The Board reviewed the student out-of district tuition and raised tuition by \$50 for the 1st child and \$25 for each additional child in the family.

The District completed a building renovation project for enhanced security and the construction of an outer loop road for safer traffic flow, as well as, access to future building projects based on student growth.

The District went from a .6 Agriculture teacher to a .8, but eliminated the .2 high school student work co-op coordinator.

The District financially supported the initiation of a soccer program at the freshman team level.

The District approved the compensating tax rate for the year.

The District filed a capital funds request and received KDE approval to use those monies to pay for property insurance, electricity, and KISTA bus payments.

The high school gym floor was resurfaced and included the district's new branding message.

The third base line of the baseball field was fixed to address the slope failure.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

The district-wide financial statements can be found on pages 14 and 15 of this report.

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

The basic governmental fund financial statements can be found on pages 16-23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 24-48 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,890,948 as of June 30, 2017.

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

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

**Net position for the period ending June 30, 2016 and 2017**

2016 District-wide net position compared to 2017 are as follows:

|   | <b>Net Position (in thousands)</b> |                |                      |              | <b>Total</b>   |                |
|---|------------------------------------|----------------|----------------------|--------------|----------------|----------------|
|   | <b>Governmental</b>                |                | <b>Business-type</b> |              | <b>2016</b>    | <b>2017</b>    |
|   | <u>2016</u>                        | <u>2017</u>    | <u>2016</u>          | <u>2017</u>  |                |                |
| Assets  | \$15,590                           | \$15,630       | \$1,136              | \$1,100      | \$16,726       | \$16,730       |
| Deferred Outflows of Resources                | \$924                              | \$1,062        | \$60                 | \$102        | \$984          | \$1,164        |
| Liabilities                                   | \$15,257                           | \$14,678       | \$346                | \$385        | \$15,603       | \$15,063       |
| Deferred Inflows of Resources                 | \$163                              | \$123          | \$23                 | \$17         | \$186          | \$140          |
| Investment in Capital Assets<br>(net of debt) | \$827                              | \$1,284        | \$1,036              | \$966        | \$1,863        | \$2,250        |
| Restricted                                    | 581                                | 201            | (209)                | (166)        | 372            | 35             |
| Unrestricted                                  | <u>(314)</u>                       | <u>406</u>     | <u>0</u>             | <u>0</u>     | <u>(314)</u>   | <u>406</u>     |
| <b>Total Net Position</b>                     | <b>\$1,094</b>                     | <b>\$1,891</b> | <b>\$827</b>         | <b>\$800</b> | <b>\$1,921</b> | <b>\$2,691</b> |

**Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$428,677 in contingency, which is 5.26 percent.

**Comments on Budget Comparisons**

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

|                         | <b>Changes in Net Position (in thousands)</b> |             |                      |             |              |             |
|-------------------------|---|-------------|----------------------|-------------|--------------|-------------|
|                         | <b>Governmental</b>                           |             | <b>Business-type</b> |             | <b>Total</b> |             |
|                         | <u>2016</u>                                   | <u>2017</u> | <u>2016</u>          | <u>2017</u> | <u>2016</u>  | <u>2017</u> |
| <b>Revenues</b>         |   |             |                      |             |              |             |
| Local Revenue Sources   | \$2,189                                       | \$2,056     | \$52                 | \$54        | \$2,241      | \$2,110     |
| State Revenue Sources   | 6,287   | 6,605       | 61                   | 66          | 6,348        | 6,671       |
| Federal Revenue Sources | 1,252   | 1,333       | 618                  | 607         | 1,870        | 1,940       |
| Investments             | <u>21</u>                                     | <u>12</u>   | <u>0</u>             | <u>0</u>    | <u>21</u>    | <u>12</u>   |
| <b>Total Revenues</b>   | 9,749   | 10,006      | 731                  | 727         | 10,480       | 10,733      |

|                                       | <b>Changes in Net Position (in thousands)</b> |              |                      |             |              |              |
|---------------------------------------|---|--------------|----------------------|-------------|--------------|--------------|
|                                       | <b>Governmental</b>                           |              | <b>Business-type</b> |             | <b>Total</b> |              |
|                                       | <u>2016</u>                                   | <u>2017</u>  | <u>2016</u>          | <u>2017</u> | <u>2016</u>  | <u>2017</u>  |
| <b>Expenses</b>                       |   |              |                      |             |              |              |
| Instruction                           | 5,293   | 5,069        |                      |             | 5,293        | 5,069        |
| Student Support Services              | 412   | 410          |                      |             | 412          | 410          |
| Instructional Support                 | 600   | 636          |                      |             | 600          | 636          |
| District Administration               | 416   | 319          |                      |             | 416          | 319          |
| School Administration                 | 405   | 465          |                      |             | 405          | 465          |
| Business Support                      | 221   | 251          |                      |             | 221          | 251          |
| Plant Operations                      | 608   | 654          |                      |             | 608          | 654          |
| Student Transportation                | 507   | 716          |                      |             | 507          | 716          |
| Facilities Acquisition & Construction | 1,627   | 397          |                      |             | 1,627        | 397          |
| Community Support                     | 93  | 89           |                      |             | 93           | 89           |
| Food Service                          |   | 5            | 775                  | 749         | 775          | 754          |
| Debt Service                          | <u>6,626</u>                                  | <u>1,211</u> |                      |             | <u>6,626</u> | <u>1,211</u> |
| <b>Total Expenses</b>                 | 16,808  | 10,222       | 775                  | 749         | 17,583       | 10,971       |
| Loss on Assets                        |   |              | (1)                  | (5)         | (1)          | (5)          |
| Bond/Capital Lease proceeds           | 7,544   | 237          |                      |             | 7,544        | 237          |
| <b>Change in Net Position</b>         | 485   | 21           | (45)                 | (27)        | 440          | (6)          |
| <b>Beginning Net Position</b>         | <u>1,399</u>                                  | <u>1,884</u> | <u>872</u>           | <u>827</u>  | <u>2,271</u> | <u>2,711</u> |
| <b>Ending Net Position</b>            | \$1,884                                       | \$1,905      | \$827                | \$800       | \$2,711      | \$2,705      |

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

**INFRASTRUCTURE**

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

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

| Fund            | Beginning | Revenues | Expenses | Transfer | Ending  |
|-----------------|-----------|----------|----------|----------|---------|
| General Fund    | \$1,336   | \$6,980  | \$6,726  | \$154    | \$1,744 |
| Special Revenue | \$68      | \$1,926  | \$1,935  | \$16     | \$75    |
| Capital Outlay  | \$0       | \$76     | \$0      | (\$76)   | \$0     |
| Building        | \$88      | \$687    | \$0      | (\$768)  | \$7     |
| Construction    | \$386     | \$91     | \$397    | \$0      | \$80    |
| Debt Service    | \$5       | \$485    | \$1,164  | \$674    | \$0     |

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

|                          | Beginning | Additions | Deductions | Ending   |
|--------------------------|-----------|-----------|------------|----------|
| <b>Governmental</b>      |           |           |            |          |
| Capital Assets           | \$21,315  | \$2,408   | \$1,612    | \$22,111 |
| Accumulated Depreciation | \$7,876   | \$725     | \$72       | \$8,529  |
| <b>Business-Type</b>     |           |           |            |          |
| Capital Assets           | \$1,558   | \$7       | \$10       | \$1,555  |
| Accumulated Depreciation | \$522     | \$72      | \$5        | \$589    |
| Bonds Payable            | \$12,248  | \$0       | \$872      | \$11,376 |
| Capital Leases Payable   | \$301     | \$237     | \$132      | \$406    |
| Sick Leave Payable       | \$67      | \$7       | \$0        | \$74     |

**CURRENT ISSUES**

The tax base in Williamstown appears to be declining with the loss of a factory.

The district supported keeping both counselors after a grant had ended.

The district supported the hiring of another special education teacher to help with student needs.

The elementary gym floor was resurfaced.

The district library received a brand new makeover including new paint and flooring.

Concrete patching of the parking lot was completed to help fix "ankle twister" areas.

### **Contacting the District's Financial Management**

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2017

|  | Governmental<br>Activities | Business-type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>  |                            |                             |                     |
| Cash and equivalents - Note C                        | \$1,840,642                | \$126,576                   | \$1,967,218         |
| Accounts receivable                                  | 206,968                    |                             | 206,968             |
| Inventory  |                            | 7,906                       | 7,906               |
| Capital assets                                       |                            |                             |                     |
| Land and construction in progress                    | 95,130                     |                             | 95,130              |
| Other capital assets, net of depreciation            | <u>13,486,981</u>          | <u>965,872</u>              | <u>14,452,853</u>   |
| Total capital assets                                 | 13,582,111                 | 965,872                     | 14,547,983          |
| <b>TOTAL ASSETS</b>                                  | <b>15,629,721</b>          | <b>1,100,354</b>            | <b>16,730,075</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                            |                             |                     |
| Deferred outflows from pension contributions         | 132,388                    | 43,771                      | 176,159             |
| Deferred outflows from pension changes, expectations | 396,454                    | 58,352                      | 454,806             |
| Deferred outflows from advanced bond refundings      | <u>533,097</u>             |                             | <u>533,097</u>      |
| Total Deferred outflows                              | 1,061,939                  | <u>102,123</u>              | 1,164,062           |
| <b>LIABILITIES</b>                                   |                            |                             |                     |
| Accounts payable                                     | \$9,814                    | \$                          | 9,814               |
| Judgments payable                                    | 10,505                     |                             | 10,505              |
| Unearned revenues                                    | 121,971                    |                             | 121,971             |
| Interest payable                                     | 50,466                     |                             | 50,466              |
| Long-term Liabilities                                |                            |                             |                     |
| Due within 1 year                                    | 1,003,982                  |                             | 1,003,982           |
| Due in more than 1 year                              | 10,861,773                 |                             | 10,861,773          |
| Pension Liability                                    | <u>2,619,458</u>           | <u>385,542</u>              | <u>3,005,000</u>    |
| <b>TOTAL LIABILITIES</b>                             | <b>\$14,677,969</b>        | <b>\$385,542</b>            | <b>\$15,063,511</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                            |                             |                     |
| Deferred inflows from pension                        | 122,743                    | 17,057                      | 139,800             |
| <b>NET POSITION</b>                                  |                            |                             |                     |
| Net investment in capital assets                     | \$1,283,763                | \$965,872                   | 2,249,635           |
| Restricted   |                            |                             |                     |
| Food Service   |                            | 134,482                     | 134,482             |
| Other  | 2,155                      | (300,476)                   | (298,321)           |
| Accrued sick leave                                   | 37,001                     |                             | 37,001              |
| SFCC Escrow Current                                  | 6,604                      |                             | 6,604               |
| Future Construction Projects                         | 80,219                     |                             | 80,219              |
| Debt Service   | 11                         |                             | 11                  |
| District Activity Funds                              | 74,892                     |                             | 74,892              |
| Unrestricted   | <u>406,303</u>             |                             | <u>406,303</u>      |
| <b>TOTAL NET POSITION</b>                            | <b>\$1,890,948</b>         | <b>\$799,878</b>            | <b>\$2,690,826</b>  |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2017

FUNCTIONS/PROGRAMS

**Governmental Activities**

|                                 | Expenses       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|----------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---|
| Instruction                     | \$5,346,944    | \$86,362             | \$1,397,504                        |                                  | (\$3,863,078)           | \$                       | (\$3,863,078)                                     |
| Support services:               |                |                      |                                    |                                  |                         |                          |   |
| Student                         | 417,644        |                      | 160,240                            |                                  | (257,404)               |                          | (257,404)   |
| Instruction staff               | 644,669        |                      | 23,774                             |                                  | (620,895)               |                          | (620,895)   |
| District administrative         | 348,451        |                      |                                    |                                  | (348,451)               |                          | (348,451)   |
| School administrative           | 470,773        |                      |                                    |                                  | (470,773)               |                          | (470,773)   |
| Business                        | 251,505        |                      | 61,165                             |                                  | (190,340)               |                          | (190,340)   |
| Plant operation and maintenance | 850,607        |                      | 11,120                             |                                  | (839,487)               |                          | (839,487)   |
| Student transportation          | 586,539        |                      | 170,031                            |                                  | (416,508)               |                          | (416,508)   |
| Food service                    | 4,998          |                      | 4,998                              |                                  | 0                       |                          | 0   |
| Community service activities    | 89,034         |                      | 88,924                             |                                  | (110)                   |                          | (110)   |
| Interest on long-term debt      | <u>193,743</u> |                      | <u>8,228</u>                       |                                  | <u>(101,833)</u>        |                          | <u>(101,833)</u>                                  |
| Total governmental activities   | 9,204,907      | <u>86,362</u>        | 1,925,984                          | <u>83,682</u>                    | <u>(7,108,879)</u>      |                          | <u>(7,108,879)</u>                                |

**Business-type Activities**

|                                |             |           |             |          |               |            |               |
|--------------------------------|-------------|-----------|-------------|----------|---------------|------------|---------------|
| Food service                   | 749,128     | 53,655    | 673,423     |          |               | (22,050)   | (22,050)      |
| Total business-type activities | 749,128     | 53,655    | 673,423     |          |               | (22,050)   | (22,050)      |
| Total school district          | \$9,954,035 | \$140,017 | \$2,599,407 | \$83,682 | (\$7,108,879) | (\$22,050) | (\$7,130,929) |

**General Revenues**

|                          |                  |  |  |  |  |                |                  |
|--------------------------|------------------|--|--|--|--|----------------|------------------|
| Property taxes           | \$1,386,581      |  |  |  |  |                | \$1,386,581      |
| Motor Vehicle taxes      | 101,801          |  |  |  |  |                | 101,801          |
| Utility taxes            | 208,469          |  |  |  |  |                | 208,469          |
| State aid-formula grants | 6,161,341        |  |  |  |  |                | 6,161,341        |
| Investment earnings      | 11,939           |  |  |  |  | 483            | 12,422           |
| Loss on sale of assets   | (4,330)          |  |  |  |  | (5,483)        | (9,813)          |
| Miscellaneous            | 39,999           |  |  |  |  |                | 39,999           |
| Total general & special  | <u>7,905,800</u> |  |  |  |  | <u>(5,000)</u> | <u>7,900,800</u> |
| Change in net positions  |                  |  |  |  |  | (27,050)       | 769,871          |
| Net position - beginning |                  |  |  |  |  | <u>826,928</u> | <u>1,920,955</u> |
| Net position - ending    |                  |  |  |  |  | \$799,878      | \$2,690,826      |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

|   | General Fund       | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                             |                    |                            |                         |                                |                                |
| Cash and cash equivalents                 | \$1,711,537        | \$42,271                   | \$11                    | \$86,823                       | \$1,840,642                    |
| Other receivables                         | <u>52,376</u>      | <u>154,592</u>             |                         |                                | <u>206,968</u>                 |
| <b>TOTAL ASSETS</b>                       | <b>\$1,763,913</b> | <b>\$196,863</b>           | <b>\$11</b>             | <b>\$86,823</b>                | <b>\$2,047,610</b>             |
| <b>LIABILITIES</b>                        |                    |                            |                         |                                |                                |
| Accounts payable                          | \$9,814            | \$0                        | \$0                     | \$0                            | \$9,814                        |
| Unearned revenues                         |                    | 121,971                    |                         |                                | 121,971                        |
| Judgments payable                         | <u>10,505</u>      |                            |                         |                                | <u>10,505</u>                  |
| <b>TOTAL LIABILITIES</b>                  | <b>20,319</b>      | <b>121,971</b>             | <b>\$0</b>              | <b>\$0</b>                     | <b>142,290</b>                 |
| <b>Fund Balances</b>                      |                    |                            |                         |                                |                                |
| <b>Restricted</b>                         |                    |                            |                         |                                |                                |
| Sick Leave Payable                        | 37,001             |                            |                         |                                | 37,001                         |
| SFCC Escrow Current                       |                    |                            |                         | 6,604                          | 6,604                          |
| Future Construction Projects              |                    |                            |                         | 80,219                         | 80,219                         |
| Debt Service                              |                    |                            | 11                      |                                | 11                             |
| <b>Committed</b>                          |                    |                            |                         |                                |                                |
| Other                                     | 2,155              | 74,892                     |                         |                                | 77,047                         |
| Unassigned                                | <u>1,704,438</u>   |                            |                         |                                | <u>1,704,438</u>               |
| <b>Total fund balances</b>                | <b>1,743,594</b>   | <b>74,892</b>              | <b>11</b>               | <b>86,823</b>                  | <b>1,905,320</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$1,763,913</b> | <b>\$196,863</b>           | <b>\$11</b>             | <b>\$86,823</b>                | <b>\$2,047,610</b>             |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2017

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

|   |                    |
|---|--------------------|
| <b>Total Fund Balance - Governmental Funds</b>  | <b>\$1,905,320</b> |
| Capital assets are not reported in this fund financial statement because<br>they are not current financial resources, but they are reported in the<br>statement of net position | 13,582,111         |
| Deferred outflows of resources  | 1,061,939          |
| Certain liabilities are not reported in this fund financial statement because<br>they are not due and payable, but they are presented in the statement<br>of net position       |                    |
| Deferred inflows of resources   | (122,743)          |
| Pension Liability   | (2,619,458)        |
| Bonds Payable   | (11,375,689)       |
| Capital Leases Payable  | (405,558)          |
| Judgments Liability   | (10,505)           |
| Accrued Interest on Bonds   | (50,466)           |
| Accumulated Sick Leave  | <u>(74,003)</u>    |
| <b>Total Net Position - Governmental Activities</b>   | <b>\$1,890,948</b> |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017

|  | General<br>Fund  | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|----------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>  |                  |                            |                         |                                |                                |
| From local sources   |                  |                            |                         |                                |                                |
| Property taxes   | \$1,129,919      | \$                         | \$                      | \$256,662                      | \$1,386,581                    |
| Motor vehicle taxes  | 101,801          |                            |                         |                                | 101,801                        |
| Utility tax  | 208,469          |                            |                         |                                | 208,469                        |
| Earnings on investments  | 11,573           | 492                        | 10                      | 356                            | 12,431                         |
| Other local revenues   | 126,361          | 232,472                    |                         |                                | 358,833                        |
| Intergovernmental - State  | 5,164,480        | 360,474                    | 484,408                 | 596,135                        | 6,605,497                      |
| Intergovernmental - Federal  |                  | <u>1,332,546</u>           |                         |                                | <u>1,332,546</u>               |
| Total revenues   | <u>6,742,603</u> | <u>1,925,984</u>           | <u>484,418</u>          | <u>853,153</u>                 | <u>10,006,158</u>              |
| <b>Expenditures</b>  |                  |                            |                         |                                |                                |
| Instruction  | 3,661,633        | 1,407,110                  |                         |                                | 5,068,743                      |
| Support services   |                  |                            |                         |                                |                                |
| Student  | 250,299          | 160,240                    |                         |                                | 410,539                        |
| Instruction staff  | 612,387          | 23,774                     |                         |                                | 636,161                        |
| District administration  | 319,231          |                            |                         |                                | 319,231                        |
| School administration  | 464,753          |                            |                         |                                | 464,753                        |
| Business   | 189,736          | 61,165                     |                         |                                | 250,901                        |
| Plant operation and maintenance  | 642,506          | 11,120                     |                         |                                | 653,626                        |
| Student transportation   | 546,614          | 170,031                    |                         |                                | 716,645                        |
| Community service activities   |                  | 88,924                     |                         |                                | 88,924                         |
| Food Service   |                  | 4,998                      |                         |                                | 4,998                          |
| Site Improvement   |                  |                            |                         | 396,687                        | 396,687                        |
| Debt service   | <u>38,747</u>    | <u>8,228</u>               | <u>1,163,834</u>        |                                | <u>1,210,809</u>               |
| Total expenditures   | <u>6,725,906</u> | <u>1,935,590</u>           | <u>1,163,834</u>        | <u>396,687</u>                 | <u>10,222,017</u>              |
| Excess(deficit)of revenues over expenditures   | 16,697           | (9,606)                    | (679,416)               | 456,466                        | (215,859)                      |
| <b>Other Financing Sources (Uses)</b>  |                  |                            |                         |                                |                                |
| Bond and Capital Lease proceeds  | 237,216          |                            |                         |                                | 237,216                        |
| Operating transfers in   | 169,632          | 15,909                     | 674,199                 |                                | 859,740                        |
| Operating transfers out  | <u>(15,909)</u>  |                            |                         | <u>(843,831)</u>               | <u>(859,740)</u>               |
| Total other financing sources (uses)   | 390,939          | <u>15,909</u>              | <u>674,199</u>          | <u>(843,831)</u>               | 237,216                        |
| Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds | 407,636          | 6,303                      | (5,217)                 | (387,365)                      | 21,357                         |
| Fund balance, July 1, 2016   | <u>1,335,958</u> | <u>68,589</u>              | <u>5,228</u>            | <u>474,188</u>                 | <u>1,883,963</u>               |
| Fund balance, June 30, 2017  | \$1,743,594      | \$74,892                   | \$11                    | \$86,823                       | \$1,905,320                    |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2017

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

**Total net change in fund balances - governmental funds** \$21,357

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

|  |                      |                |         |
|--|----------------------|----------------|---------|
|  | Depreciation Expense | (724,553)      |         |
|  | Capital Outlays      | <u>872,383</u> | 147,830 |

Loss on sale of assets (4,330)

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

|  |                             |  |         |
|--|-----------------------------|--|---------|
|  | Repayment of Bond Principal |  | 872,193 |
|--|-----------------------------|--|---------|

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

|  |                                      |  |           |
|--|--------------------------------------|--|-----------|
|  | Repayment of Capital Lease Principal |  | 132,536   |
|  | Proceeds from Capital Lease          |  | (237,216) |

|  |                   |  |         |
|--|-------------------|--|---------|
|  | Deferred Outflows |  | 137,885 |
|  | Deferred Inflows  |  | 40,914  |

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

|  |                             |  |                |
|--|-----------------------------|--|----------------|
|  | Change in Pension Liability |  | (329,873)      |
|  | Change in Accrued Interest  |  | 12,337         |
|  | KSBIT liability             |  | 10,505         |
|  | Change in Sick Leave        |  | <u>(7,217)</u> |

**Total Change in Net Position - Governmental Activities** \$796,921

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2017

|                                       | Business-Type Activities<br>Enterprise Funds<br>Food<br>Service<br><u>Fund</u> |
|---------------------------------------|--|
| <b>ASSETS</b>                         |  |
| Cash in Bank                          | \$126,576  |
| Inventory                             | 7,906  |
| Capital Assets, net of depreciation   | <u>965,872</u>   |
| <b>TOTAL ASSETS</b>                   | <b>\$1,100,354</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |  |
| Deferred outflows from pension        | \$102,123  |
| <b>LIABILITIES</b>                    |  |
| Pension liability - Long term         | \$385,542  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |  |
| Deferred inflows from pension         | \$17,057   |
| <b>NET POSITION</b>                   |  |
| Net Investment in Capital Assets      | 965,872  |
| Restricted - Other                    | (300,476)  |
| Restricted Net Position               | <u>134,482</u>   |
| <b>TOTAL NET POSITION</b>             | <b>\$799,878</b>   |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2017

|  | Business-Type Activities<br>Enterprise Funds |        |
|--|--|--------|
|  | Food<br>Service<br>Fund                      |        |
| <b>OPERATING REVENUES</b>                |  |        |
| Lunchroom sales                          | <u>\$53,655</u>                              |        |
| Total Operating Revenues                 | 53,655                                       |        |
| <b>OPERATING EXPENSES</b>                |  |        |
| Salaries and wages                       | 308,005                                      | 315901 |
| Contract services                        | 12,620                                       |        |
| Materials and supplies                   | 356,299                                      |        |
| Miscellaneous                            | 353  |        |
| Depreciation                             | <u>71,851</u>                                |        |
| Total Operating Expenses                 | 749,128                                      |        |
| Operating income (loss)                  | (695,473)                                    |        |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |  |        |
| Federal grants                           | 586,921                                      |        |
| Commodities received                     | 20,192                                       |        |
| State grants                             | 5,231  |        |
| State on-behalf payments                 | 61,079                                       |        |
| Interest income                          | 483  |        |
| Gain (Loss) on Assets                    | <u>(5,483)</u>                               |        |
| Non-operating revenues (expenses)        | 668,423                                      |        |
| Net income (loss)                        | (27,050)                                     |        |
| Increase (decrease) in Net Position      | (27,050)                                     |        |
| Net Position, July 1, 2016               | <u>826,928</u>                               |        |
| Net Position, June 30, 2017              | \$799,878                                    |        |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For The Year Ended June 30, 2017

Business-Type Activities  
 Enterprise Funds  
 Food  
 Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

|  |                  |
|--|------------------|
| Cash received from customers               | \$53,655         |
| Cash paid to employees, including benefits | (246,927)        |
| Cash paid to suppliers                     | <u>(349,693)</u> |
| Net cash provided by operating activities  | (542,965)        |

CASH FLOW FROM NONCAPITAL  
 FINANCING ACTIVITIES

|   |                |
|---|----------------|
| Cash received from government funding                           | <u>592,152</u> |
| Net cash provided from capital and related financing activities | 592,152        |

CASH FLOW FROM CAPITAL AND RELATED  
 FINANCING ACTIVITIES

|   |            |
|---|------------|
| Purchase of fixed assets  | (7,294)    |
| Interest income   | <u>483</u> |
| Net cash provided from capital and related financing activities | (6,811)    |

Net increase (decrease) in cash 42,376

Cash and equivalents, July 1, 2016 84,200

Cash and equivalents, June 30, 2017 \$126,576

Reconciliation of Operating income (loss) to Net Cash

|  |               |
|--|---------------|
| Provided by Operating Activities   |               |
| Operating income (loss)  | (\$695,473)   |
| Adjustments to reconcile net income to cash provided by operating activities   |               |
| Depreciation   | 71,851        |
| On-behalf payments   | 61,079        |
| Commodities used   | 20,192        |
| (Increase) Decrease in inventory   | 7,282         |
| (Increase) Decrease in Deferred outflows                                       | (41,995)      |
| Increase (Decrease) in Deferred inflows  | (5,686)       |
| Increase (Decrease) in Pension Liability                                       | <u>39,785</u> |
| Net cash provided by operating activities and increase in cash and equivalents | (\$542,965)   |

**Schedule of Non-Cash Financing Activities**

|                     |          |
|---------------------|----------|
| Donated commodities | \$20,192 |
| On Behalf payments  | \$61,079 |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2017

|                          | Agency<br>Fund  |
|--------------------------|-----------------|
| <b>ASSETS</b>            |                 |
| Cash and equivalents     | \$51,574        |
| Accounts receivable      | <u>437</u>      |
| <b>TOTAL ASSETS</b>      | <b>\$52,011</b> |
| <br>                     |                 |
| <b>LIABILITIES</b>       |                 |
| Accounts payable         | \$0             |
| Due to student groups    | <u>52,011</u>   |
| <b>TOTAL LIABILITIES</b> | <b>\$52,011</b> |

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

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

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

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

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

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

Basis of Presentation

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2 and 21) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund for the current year.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

V. Permanent Funds

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

Basis of Accounting

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

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

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

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

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

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2017, to finance operations were \$.934 per \$100 valuation for real property, \$.934 per \$100 valuation for business personal property and \$.591 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Interfund Balances

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

Capital Assets

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

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

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Budgetary Process

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through August 29, 2017, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2017, have not been evaluated by the District.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

Interfund Activity

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

Uses of Estimates

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

Encumbrances

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

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2017 were levied on the assessed valuation of property located in the School District as of January 1, 2016 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

|                                |                             |
|--------------------------------|-----------------------------|
| Description                    | per KRS 134.015             |
| Discount, 2%                   | by November 1               |
| Face value amount payment date | November 2 thru December 31 |
| Delinquent date, 5% penalty    | January 1 -31               |
| Delinquent date, 10% penalty   | February 1                  |

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,018,792. Of the total cash balance \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017 consisted of the following:

|                                | Bank<br>Balance | Book<br>Balance |
|--------------------------------|-----------------|-----------------|
| General Checking Account       |                 |                 |
| General Fund                   | \$              | \$1,711,537     |
| Fund 2                         |                 | 42,271          |
| Fund 310                       |                 | 0               |
| Fund 320                       |                 | 6,604           |
| Fund 360                       |                 | 80,219          |
| Fund 51                        |                 | <u>126,576</u>  |
| Total General Checking Account | 2,384,763       | 1,967,207       |
| Agency Funds                   | 56,634          | 51,574          |
| Debt Service Funds             | <u>11</u>       | <u>11</u>       |
| TOTALS                         | \$ 2,441,408    | \$2,018,792     |

Breakdown per financial statements:

|                    |               |
|--------------------|---------------|
| Governmental Funds | \$ 1,840,642  |
| Proprietary Funds  | 126,576       |
| Agency Funds       | <u>51,574</u> |
| TOTALS             | \$ 2,018,792  |

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2017, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

| <b>Governmental Activities</b>  | July 1, 2016     | Additions     | Retirements      | June 30,2017   |
|---------------------------------|------------------|---------------|------------------|----------------|
| Land                            | 95,130           |               |                  | 95,130         |
| Land Improvements               | 559,233          | 1,011,356     |                  | 1,570,589      |
| Building & Building Improve     | 16,696,387       | 1,011,854     |                  | 17,708,241     |
| Technology Equipment            | 690,037          | 167,581       | 67,196           | 790,422        |
| Vehicles                        | 1,083,266        | 206,423       |                  | 1,289,689      |
| General Equipment               | 655,354          | 10,970        | 9,200            | 657,124        |
| Construction in Process         | <u>1,535,801</u> | <u>0</u>      | <u>1,535,801</u> | <u>0</u>       |
| Totals at historical cost       | 21,315,208       | 2,408,184     | 1,612,197        | 22,111,195     |
| Accumulated Depreciation        |                  |               |                  |                |
| Land Improvements               | 362,924          | 39,689        |                  | 402,613        |
| Building & Building Improve     | 5,712,258        | 481,341       |                  | 6,193,599      |
| Technology Equipment            | 555,848          | 79,589        | 66,400           | 569,037        |
| Vehicles                        | 821,498          | 76,677        |                  | 898,175        |
| General Equipment               | <u>424,069</u>   | <u>47,257</u> | <u>5,666</u>     | <u>465,660</u> |
| Total accumulated depreciation  | 7,876,597        | 724,553       | 72,066           | 8,529,084      |
| Capital Assets – Net            | 13,438,611       | 1,683,631     | (1,540,131)      | 13,582,111     |
| <b>Business-Type Activities</b> |                  |               |                  |                |
| Building & Building Improve     | 1,240,025        |               |                  | 1,240,025      |
| Technology Equipment            | 0                | 7,294         |                  | 7,294          |
| General Equipment               | <u>317,646</u>   | <u>0</u>      | <u>10,388</u>    | <u>307,258</u> |
| Totals at historical cost       | 1,557,671        | 7,294         | 10,388           | 1,554,577      |
| Accumulated Depreciation        |                  |               |                  |                |
| Building & Building Improve     | 342,921          | 49,601        |                  | 392,522        |
| Technology Equipment            | 0                | 1,047         |                  | 1,047          |
| General Equipment               | <u>178,838</u>   | <u>21,203</u> | <u>4,905</u>     | <u>195,136</u> |
| Total accumulated depreciation  | 521,759          | 71,851        | 4,905            | 588,705        |
| Capital Assets – Net            | 1,035,912        | (64,557)      | (5,483)          | 965,872        |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE D – CAPITAL ASSETS (continued)**

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

|   |            |
|---|------------|
| Instruction   | \$ 399,688 |
| Support Services                                    |            |
| Student   | 7,105      |
| Instructional staff                                 | 8,508      |
| District administration                             | 29,220     |
| School administration                               | 6,020      |
| Business  | 604        |
| Plant operations & maintenance                      | 196,981    |
| Student transportation                              | 76,317     |
| Community services                                  | <u>110</u> |
| Total Depreciation expense, governmental activities | 724,553    |

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

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

| Issue Date  | Proceeds  | Rates         |
|-------------|-----------|---------------|
| 2007B       | 4,995,000 | 3.50% - 4.00% |
| 2009        | 1,355,000 | 1.70% - 4.20% |
| 2009R KISTA | 1,271,202 | 1.00% - 3.25% |
| 2012R       | 1,235,000 | 1.70% - 4.20% |
| 2015R       | 1,820,000 | 1.00% - 2.50% |
| 2015        | 2,040,000 | 1.00% - 3.75% |
| 2016R       | 5,410,000 | 2.00%         |

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

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

|                | Beginning<br>Balance | Additions | Payments  | Ending<br>Balance |
|----------------|----------------------|-----------|-----------|-------------------|
| Bonds          | \$12,247,882         | \$0       | \$872,193 | \$11,375,689      |
| Capital Leases | \$300,878            | \$237,216 | \$132,536 | \$405,558         |
| Sick Leave     | \$66,786             | \$7,217   | \$0       | \$74,003          |

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

| Fiscal Year | WILLIAMSTOWN INDEPENDENT<br>SCHOOL DISTRICT |               | KENTUCKY SCHOOL<br>CONSTRUCTION COMMISSION |               | Total          |
|-------------|---|---------------|--|---------------|----------------|
|             | Principal                                   | Interest      | Principal                                  | Interest      |                |
| 2017-2018   | 501,696                                     | 168,806       | 376,578                                    | 98,718        | 1,145,798      |
| 2018-2019   | 516,746                                     | 157,500       | 385,669                                    | 89,628        | 1,149,543      |
| 2019-2020   | 528,105                                     | 147,049       | 346,895                                    | 82,443        | 1,104,492      |
| 2020-2021   | 536,411                                     | 136,188       | 353,589                                    | 75,752        | 1,101,940      |
| 2021-2022   | 549,383                                     | 124,667       | 360,617                                    | 68,722        | 1,103,389      |
| 2022-2027   | 2,920,463                                   | 427,221       | 1,799,537                                  | 228,950       | 5,376,171      |
| 2027-2032   | 1,045,882                                   | 117,865       | 554,118                                    | 85,764        | 1,803,629      |
| 2032-2036   | <u>296,628</u>                              | <u>22,342</u> | <u>303,372</u>                             | <u>22,103</u> | <u>644,445</u> |
| TOTALS      | 6,895,314                                   | 1,301,638     | 4,480,375                                  | 752,080       | 13,429,407     |

**NOTE F – CAPITAL LEASE PAYABLE**

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

| Classes of Property | Book value as of<br>June 30, 2017 |
|---------------------|-----------------------------------|
| Buses & Equipment   | \$ 344,496                        |

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2017:

| Year Ending<br>June 30,                        | Capital Lease<br>Payable |
|--|--------------------------|
| 2018   | \$ 133,242               |
| 2019   | 102,405                  |
| 2020   | 56,632                   |
| 2021   | 38,003                   |
| 2022   | 22,119                   |
| Thereafter                                     | <u>104,161</u>           |
| Total minimum lease payments                   | 456,562                  |
| Less: Amount representing interest             | <u>(51,004)</u>          |
| Present Value of Net Minimum<br>Lease Payments | \$ <u>405,558</u>        |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District had no commitments under operating lease agreements as of June 30, 2017.

**NOTE H – CONTINGENCIES**

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

**NOTE I – INSURANCE AND RELATED ACTIVITIES**

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

**NOTE J – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2017, this amount totaled \$74,003 of which \$37,001 is restricted in the current year fund balance of the General Fund.

**NOTE K – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2017, consisted of the following:

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

**NOTE L – RISK MANAGEMENT**

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

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE M – DEFICIT OPERATING/FUND BALANCES**

|   |            |
|---|------------|
| Funds with a current year deficit of revenues over expenditures |            |
| Fund 320  | ( 81,231)  |
| Fund 360  | ( 306,134) |
| Fund 400  | ( 5,217)   |
| Fund 51   | ( 27,050)  |

**NOTE N – COBRA**

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

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year.

| <u>Type</u>   | <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------|------------------|----------------|----------------|---------------|
| Operating     | 1                | 2              | KETS Matching  | \$ 15,909     |
| Debt Service  | 320              | 400            | Bond Payment   | 598,271       |
| Debt Service  | 310              | 400            | Bond Payment   | 75,928        |
| Capital Funds | 320              | 1              | Capital Funds  | 169,632       |

**NOTE P – ON-BEHALF PAYMENTS**

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

|                            |                |
|----------------------------|----------------|
| Health Insurance           | \$ 899,759     |
| Life Insurance             | 1,494          |
| Administrative Fees        | 11,855         |
| HRA/Dental/Vision          | 56,350         |
| Federal Reimbursement      | (169,318)      |
| Technology                 | 46,142         |
| KTRS                       | 525,133        |
| KISTA Capital Lease        | 55,068         |
| SFCC Debt Service          | <u>429,340</u> |
| Total                      | \$1,855,823    |
| Fund 1 On Behalf Payments  | \$1,310,336    |
| Fund 51 On Behalf Payments | 61,079         |
| Fund 400                   | <u>484,408</u> |
| Total                      | \$1,855,823    |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE Q – KSBIT JUDGMENT**

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

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

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

| <u>Year Ending<br/>June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2018                            | \$ 10,505     |
| 2019                            | <u>10,505</u> |
| Total                           | \$ 21,010     |

**NOTE R – GASB 68 AND 71**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement were adopted by the District for the fiscal year beginning July 1, 2014.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS**

**Teachers' Retirement System of the State of Kentucky (TRS)**

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – 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 education agencies in the state. TRS 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). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://trs.ky.gov/financial-reports-information>.

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members 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 services, including the first ten years. In addition, members 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 members hired on or after that date.

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

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

*Contributions* - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% 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 Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS 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 TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees 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 TRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) 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, 2017, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS 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:

|   |                      |
|---|----------------------|
| State's proportionate share of the net pension liability associated with the District | <u>\$ 31,914,987</u> |
|---|----------------------|

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.1082 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$525,133 and revenue of \$525,133 for support provided by the State.

*Actuarial assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                 |   |
|---------------------------------|---|
| Investment rate of return       | 7.50%, net of pension plan investment expense, including inflation. |
| Projected salary increases      | 4.00 – 8.20%, including inflation                                   |
| Inflation rate                  | 3.50%   |
| Municipal Bond Index Rate       | 3.82%   |
| Single Equivalent Interest Rate | 4.88%   |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010 adopted by the Board on December 19, 2011. The results of the experience study for the period July 1, 2010 – June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| U.S. Equity        | 45.0%                    | 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              | <u>100.0%</u>            |   |

*Discount rate* - The discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. 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 members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payment streams was used to determine the total pension liability.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 4.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20%) or 1-percentage-point higher (5.20%) than the current rate (\$ thousands):

|                                | 1%<br>Decrease<br>(3.20%) | Current<br>Discount<br>Rate<br>(4.20%) | 1%<br>Increase<br>(5.20%) |
|--------------------------------|---------------------------|--|---------------------------|
| System's net pension liability | \$41,048                  | \$31,915                               | \$27,232                  |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

June 30, 2015 is the actuarial valuation date upon which the TPL is based. The TPL from this valuation was determined using a discount rate of 4.20%, which was based on a municipal bond index rate as of that date equal to 3.01%. The TPL used last year was determined using a discount rate equal to 4.88%, which was based on a municipal bond index rate of 3.82%. These two amounts are rolled forward to June 30, 2016 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2016 is the gain or loss due to changes in assumptions and other inputs.

In addition, we have determined an expected TPL as of June 30, 2016 based on the TPL roll-forward in the June 30, 2015 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.88% interest rate is reflected as an experience gain or loss for the year.

**KENTUCKY RETIREMENT SYSTEM**

**County Employees Retirement System (CERS)**

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2016. At June 30, 2016, the District's proportion was .061032%.

For the year ended June 30, 2017, the District recognized pension expense of \$374,723. At June 30, 2017, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$176,159 deferred outflows of resources for changes in assumptions and expectations of \$454,806 was also reported and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$139,800.

District contributions subsequent to the measurement date of \$176,159 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

| <u>Year</u> | Inflows          | Outflows          |
|-------------|------------------|-------------------|
| 2018        | \$46,600         | \$ 168,938        |
| 2019        | 46,600           | 113,023           |
| 2020        | 46,600           | 110,084           |
| 2021        | <u>0</u>         | <u>62,761</u>     |
| Total       | <u>\$139,800</u> | <u>\$ 454,806</u> |

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

|                               |  |
|-------------------------------|--|
| Valuation Date                | June 30, 2016  |
| Experience Study              | July 1, 2008 – June 30, 2013                                       |
| Remaining Amortization Period | 27 years   |
| Inflation                     | 3.25%  |
| Salary Increase               | 4.0%, average, including inflation                                 |
| Investment Rate of Return     | 7.50%, net of pension plan investment expense, including inflation |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, are summarized in the following table:

| <u>Asset Class</u>                                | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---|--------------------------|---|
| Combined Equity                                   | 44.0%                    | 5.40%   |
| Combined Fixed Income                             | 19.0%                    | 1.50%   |
| Real Return (Diversified<br>Inflation Strategies) | 10.0%                    | 3.50%   |
| Real Estate                                       | 5.0%                     | 4.50%   |
| Absolute Return (Diversified<br>Hedge Funds)      | 10.0%                    | 4.25%   |
| Private Equity                                    | 10.0%                    | 8.50%   |
| Cash Equivalent                                   | <u>2.0%</u>              | -0.25%  |
|   | <u>100.0%</u>            |   |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

|   | 1%<br>Decrease<br><u>(6.50%)</u> | Current<br>discount rate<br><u>(7.50%)</u> | 1%<br>Increase<br><u>(8.50%)</u> |
|---|----------------------------------|--|----------------------------------|
| District's proportionate share of the net pension liability | \$ 3,744,695                     | \$ 3,005,000                               | \$ 2,370,902                     |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017

**NOTE S – RETIREMENT PLANS (continued)**

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2017 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

SUPPLEMENTARY INFORMATION

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2017

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>with Final<br>Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|------------------|------------------|--|
| <b>REVENUES</b>   |                    |                  |                  |  |
| Taxes   | 1,415,040          | 1,400,040        | 1,440,189        | 40,149   |
| Other Local Sources   | 110,100            | 105,100          | 137,934          | 32,834   |
| State Sources   | <u>5,278,902</u>   | <u>5,285,729</u> | <u>5,164,480</u> | <u>(121,249)</u>   |
| <b>TOTAL REVENUES</b>   | <b>6,804,042</b>   | <b>6,790,869</b> | <b>6,742,603</b> | <b>(48,266)</b>  |
| <b>EXPENDITURES</b>   |                    |                  |                  |  |
| Instruction   | 4,191,660          | 4,128,030        | 3,661,633        | 466,397  |
| Support Services  |                    |                  |                  |  |
| Student   | 339,777            | 335,932          | 250,299          | 85,633   |
| Instructional Staff   | 575,889            | 621,464          | 612,387          | 9,077  |
| District Administration   | 437,275            | 436,308          | 319,231          | 117,077  |
| School Administration   | 427,342            | 452,651          | 464,753          | (12,102)   |
| Business  | 201,087            | 202,108          | 189,736          | 12,372   |
| Plant Operation and Maintenance   | 740,537            | 982,024          | 642,506          | 339,518  |
| Student Transportation  | 451,195            | 439,095          | 546,614          | (107,519)  |
| Food Service  | 25,000             | 22,500           |                  | 22,500   |
| Facilities and Construction   | 5,000              | 5,000            |                  | 5,000  |
| Contingency   | 325,910            | 428,677          |                  | 428,677  |
| Debt Service  | <u>38,300</u>      | <u>88,300</u>    | <u>38,747</u>    | <u>49,553</u>  |
| <b>TOTAL EXPENDITURES</b>   | <b>7,758,972</b>   | <b>8,142,089</b> | <b>6,725,906</b> | <b>1,416,183</b>   |
| Excess (Deficit) of Revenues Over Expenditures  | (954,930)          | (1,351,220)      | 16,697           | 1,367,917  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                    |                  |                  |  |
| Capital Lease Proceeds  | 0                  | 0                | 237,216          | 237,216  |
| Operating Transfers In  | 0                  | 169,633          | 169,632          | (1)  |
| Operating Transfers Out   | <u>(18,370)</u>    | <u>(18,370)</u>  | <u>(15,909)</u>  | <u>2,461</u>   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>(18,370)</b>    | <b>151,263</b>   | <b>390,939</b>   | <b>239,676</b>   |
| Excess (Deficit) of Revenues and Other<br>Financing Sources over Expenditures and<br>Other Financing Uses | (973,300)          | (1,199,957)      | 407,636          | 1,607,593  |
| Fund Balance, July 1, 2016  | <u>973,300</u>     | <u>1,199,957</u> | <u>1,335,958</u> | <u>136,001</u>   |
| Fund Balance, June 30, 2017   | \$0                | \$0              | \$1,743,594      | \$1,743,594  |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2017

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | Variance<br>with Final<br>Budget<br>Favorable<br><u>(Unfavorable)</u> |
|---|----------------------------|-------------------------|------------------|---|
| <b>REVENUES</b>   |                            |                         |                  |   |
| State Sources   | \$321,567                  | \$322,158               | \$360,474        | 38,316  |
| Federal Sources   | 1,346,151                  | 1,349,417               | 1,332,546        | (16,871)  |
| Local Sources   | <u>229,221</u>             | <u>275,823</u>          | <u>232,964</u>   | <u>(42,859)</u>   |
| <b>TOTAL REVENUES</b>   | <b>1,896,939</b>           | <b>1,947,398</b>        | <b>1,925,984</b> | <b>(21,414)</b>   |
| <b>EXPENDITURES</b>   |                            |                         |                  |   |
| Instruction   | 1,474,397                  | 1,491,173               | 1,407,110        | 84,063  |
| Support Services  |                            |                         |                  |   |
| Student   | 194,481                    | 185,150                 | 160,240          | 24,910  |
| Instructional Staff   | 24,994                     | 24,549                  | 23,774           | 775   |
| School Administration   | 790                        | 907                     |                  | 907   |
| Business  | 36,740                     | 53,284                  | 61,165           | (7,881)   |
| Plant Operations & Maintenance  |                            | 15,856                  | 11,120           | 4,736   |
| Student Transportation  | 165,627                    | 164,425                 | 170,031          | (5,606)   |
| Food Service  |                            | 4,999                   | 4,998            | 1   |
| Debt Service  | 8,625                      | 8,200                   | 8,228            | (28)  |
| Community Service Operations  | <u>97,149</u>              | <u>83,353</u>           | <u>88,924</u>    | <u>(5,571)</u>  |
| <b>TOTAL EXPENDITURES</b>   | <b>2,002,803</b>           | <b>2,031,896</b>        | <b>1,935,590</b> | <b>96,306</b>   |
| Excess (Deficit) of Revenues Over Expenditures  | (105,864)                  | (84,498)                | (9,606)          | 74,892  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                            |                         |                  |   |
| Operating Transfers In  | 18,370                     | 15,909                  | 15,909           | 0   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   | <b>18,370</b>              | <b>15,909</b>           | <b>15,909</b>    | <b>0</b>  |
| Excess (Deficit) of Revenues and Other<br>Financing Sources over Expenditures and<br>Other Financing Uses | (87,494)                   | (68,589)                | 6,303            | 74,892  |
| Restricted Fund Balance, July 1, 2016   | <u>87,494</u>              | <u>68,589</u>           | <u>68,589</u>    | <u>0</u>  |
| Restricted Fund Balance, June 30, 2017  | \$0                        | \$0                     | \$74,892         | \$74,892  |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2017

|   | 2017               | 2016               | 2015               |
|---|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability (asset)  |                    |                    |                    |
| TRS   | \$0                | \$0                | \$0                |
| CERS  | <u>\$3,005,000</u> | <u>\$2,635,342</u> | <u>\$2,090,000</u> |
| Total   | \$3,005,000        | \$2,635,342        | \$2,090,000        |
| District's proportionate share of the net pension liability (asset)   |                    |                    |                    |
| TRS   | \$0                | \$0                | \$0                |
| CERS  | 0.061032%          | 0.06129%           | 0.064419%          |
| State's proportionate share of the net pension liability (asset)<br>associated with the District              |                    |                    |                    |
| TRS   | \$31,914,987       | \$26,674,904       | \$23,805,933       |
| District's covered employee payroll   |                    |                    |                    |
| TRS   | \$3,497,475        | \$3,492,822        | \$3,630,542        |
| CERS  | \$1,490,271        | \$1,440,821        | \$1,582,006        |
| District's proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll |                    |                    |                    |
| TRS   | 0                  | 0                  | 0                  |
| CERS  | 201.64%            | 182.91%            | 132.11%            |

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
For The Year Ended June 30, 2017

|  | 2017               | 2016               | 2015               | 2014               | 2013               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contributions                                 |                    |                    |                    |                    |                    |
| TRS  | \$525,133          | \$525,928          | \$560,994          | \$458,423          | \$452,990          |
| CERS   | <u>\$173,396</u>   | <u>\$183,002</u>   | <u>\$254,593</u>   | <u>\$282,148</u>   | <u>\$341,434</u>   |
| Total  | \$698,529          | \$708,930          | \$815,587          | \$740,571          | \$794,424          |
| Contributions in relation to the contractually required contribution |                    |                    |                    |                    |                    |
| TRS  | \$525,133          | \$525,928          | \$560,994          | \$458,423          | \$452,990          |
| CERS   | <u>\$173,396</u>   | <u>\$183,002</u>   | <u>\$254,593</u>   | <u>\$282,148</u>   | <u>\$341,434</u>   |
| Total  | \$698,529          | \$708,930          | \$815,587          | \$740,571          | \$794,424          |
| Contribution deficiency (excess)                                     |                    |                    |                    |                    |                    |
| TRS  | \$0                | \$0                | \$0                | \$0                | \$0                |
| CERS   | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         |
| Total  | \$0                | \$0                | \$0                | \$0                | \$0                |
| District's covered employee payroll                                  |                    |                    |                    |                    |                    |
| TRS  | \$3,497,475        | \$3,492,822        | \$3,630,542        | \$3,578,806        | \$3,692,889        |
| CERS   | <u>\$1,464,833</u> | <u>\$1,440,821</u> | <u>\$1,582,006</u> | <u>\$1,878,032</u> | <u>\$1,834,490</u> |
| Total  | \$4,962,308        | \$4,933,643        | \$5,212,548        | \$5,456,838        | \$5,527,379        |
| Contributions as a percentage of covered employee payroll            |                    |                    |                    |                    |                    |
| TRS  | 15.01%             | 15.06%             | 15.45%             | 12.81%             | 12.27%             |
| CERS   | 11.84%             | 12.70%             | 16.09%             | 15.02%             | 18.61%             |

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2017

Changes of benefit terms

TRS - none

CERS

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

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

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

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

Changes of assumptions

TRS - In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP - 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the TRS Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

CERS

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

2015

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 in the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).

For disabled members, the RP-2000 Combined Disabled Mortality Table project with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2017

|  | SEEK<br>Capital<br>Outlay<br>Fund | FSPK<br>Fund | Construction<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------------|--------------|----------------------|--|
| <b>ASSETS AND RESOURCES</b>                    |                                   |              |                      |  |
| Cash and equivalents                           | \$0                               | \$6,604      | \$80,219             | \$86,823                                   |
| <b>TOTAL ASSETS AND RESOURCES</b>              | \$0                               | \$6,604      | \$80,219             | \$86,823                                   |
| <b>FUND BALANCES</b>                           |                                   |              |                      |  |
| Restricted - SFCC - Current                    | \$0                               | \$6,604      | \$                   | \$6,604                                    |
| Restricted - Future Construction BG-1          | _____                             | _____        | <u>80,219</u>        | <u>80,219</u>                              |
| <b>TOTAL FUND BALANCES</b>                     | 0                                 | 6,604        | 80,219               | 86,823                                     |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | \$0                               | \$6,604      | \$80,219             | \$86,823                                   |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2017

|  | SEEK<br>Capital<br>Outlay<br>Fund | FSPK<br>Fund     | Construction<br>Fund | Total            |
|--|-----------------------------------|------------------|----------------------|------------------|
| <b>REVENUES</b>  |                                   |                  |                      |                  |
| From local sources   |                                   |                  |                      |                  |
| Taxes  | \$                                | \$256,662        | \$                   | \$256,662        |
| Interest income  |                                   |                  | 356                  | 356              |
| Intergovernmental-State  | <u>75,928</u>                     | <u>430,010</u>   | <u>90,197</u>        | <u>596,135</u>   |
| <b>TOTAL REVENUES</b>  | 75,928                            | 686,672          | 90,553               | 853,153          |
| <b>EXPENDITURES</b>  |                                   |                  |                      |                  |
| Site Improvement   |                                   |                  | <u>396,687</u>       | <u>396,687</u>   |
| <b>TOTAL EXPENDITURES</b>  | 0                                 | 0                | 396,687              | 396,687          |
| Excess (deficit) revenues over<br>expenditures   | 75,928                            | 686,672          | (306,134)            | 456,466          |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                   |                  |                      |                  |
| Operating transfers out  | <u>(75,928)</u>                   | <u>(767,903)</u> |                      | <u>(843,831)</u> |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>  | (75,928)                          | (767,903)        | 0                    | (843,831)        |
| Excess (deficit) revenues and other<br>financing sources over expenditures<br>and other financing uses | 0                                 | (81,231)         | (306,134)            | (387,365)        |
| Restricted Fund Balance, July 1, 2016  | <u>0</u>                          | <u>87,835</u>    | <u>386,353</u>       | <u>474,188</u>   |
| Restricted Fund Balance, June 30, 2017   | \$0                               | \$6,604          | \$80,219             | \$86,823         |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2017

|                          | Williamstown<br>High<br>School | Williamstown<br>Elementary<br>School | Total           |
|--------------------------|--------------------------------|--------------------------------------|-----------------|
| <b>ASSETS</b>            |                                |                                      |                 |
| Cash and equivalents     | \$39,484                       | \$12,090                             | \$51,574        |
| Accounts receivable      | <u>437</u>                     | <u>0</u>                             | <u>437</u>      |
| <b>TOTAL ASSETS</b>      | <b>\$39,921</b>                | <b>\$12,090</b>                      | <b>\$52,011</b> |
| <b>LIABILITIES</b>       |                                |                                      |                 |
| Accounts payable         | \$0                            | \$0                                  | \$0             |
| Due to student groups    | <u>39,921</u>                  | <u>12,090</u>                        | <u>52,011</u>   |
| <b>TOTAL LIABILITIES</b> | <b>\$39,921</b>                | <b>\$12,090</b>                      | <b>\$52,011</b> |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2017

|                                | Cash<br>Beginning | Receipts       | Disbursements  | Cash<br>Ending  | Accounts<br>Receivable<br>Ending | Accounts<br>Payable<br>Ending | Due To<br>Student Groups<br>Ending |
|--------------------------------|-------------------|----------------|----------------|-----------------|----------------------------------|-------------------------------|------------------------------------|
| Williamstown High School       | \$44,967          | \$310,341      | \$315,824      | \$39,484        | \$437                            | \$0                           | \$39,921                           |
| Williamstown Elementary School | <u>11,555</u>     | <u>110,470</u> | <u>109,935</u> | <u>\$12,090</u> | —                                | —                             | <u>\$12,090</u>                    |
| Totals                         | \$56,522          | \$420,811      | \$425,759      | \$51,574        | \$437                            | \$0                           | \$52,011                           |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
WILLIAMSTOWN HIGH SCHOOL  
For The Year Ended June 30, 2017

|                      | Cash Balances |            |               |              | Cash Balances | Accounts   | Accounts | Due To         |
|----------------------|---------------|------------|---------------|--------------|---------------|------------|----------|----------------|
|                      | Beginning     | Receipts   | Disbursements | Transfers    | Ending        | Receivable | Payable  | Student Groups |
|                      |               |            |               |              |               | Ending     | Ending   | Ending         |
| Archery              | \$1,241       | \$2,659    | \$2,111       | 229          | \$2,018       | \$0        | \$0      | \$2,018        |
| Sweep Account        | 3,116         | 81,470     | 84,586        |              | 0             |            |          | 0              |
| FDM                  | 282           | 1,315      | 1,186         |              | 411           |            |          | 411            |
| Guidance             | 0             | 248        | 245           |              | 3             |            |          | 3              |
| KJHS                 | 16            |            |               |              | 16            |            |          | 16             |
| FFA                  | 415           | 15,619     | 14,661        |              | 1,373         |            |          | 1,373          |
| Disc Golf Club       | 0             | 40         | 40            |              | 0             |            |          | 0              |
| Field Trip Trans.    | 0             | 1,687      | 669           |              | 1,018         |            |          | 1,018          |
| SR High Volleyball   | 0             | 11,765     | 10,377        |              | 1,388         |            |          | 1,388          |
| General              | 795           | 967        | 1,397         |              | 365           |            |          | 365            |
| Project Graduation   | 0             | 5,760      | 5,074         |              | 686           |            |          | 686            |
| Key Club             | 57            | 262        | 298           |              | 21            |            |          | 21             |
| Chorus               | 655           | 7,952      | 7,632         |              | 975           |            |          | 975            |
| Academics            | 181           | 400        | 367           |              | 214           |            |          | 214            |
| NHS                  | 764           | 360        | 312           |              | 812           |            |          | 812            |
| Junior NHS           | 0             | 1,437      | 431           |              | 1,006         |            |          | 1,006          |
| Track                | 1,067         | 1,664      | 1,520         |              | 1,211         | 437        |          | 1,648          |
| Student Council      | 694           | 609        | 498           |              | 805           |            |          | 805            |
| Athletics            | 902           | 38,101     | 39,195        | 2,000        | 1,808         |            |          | 1,808          |
| Cross Country        | 3,235         | 6,157      | 4,834         |              | 4,558         |            |          | 4,558          |
| FCCLA                | 2,523         | 9,635      | 11,387        |              | 771           |            |          | 771            |
| AP Fees              | 0             | 5,034      | 4,551         |              | 483           |            |          | 483            |
| SR KUNA              | 590           | 3,807      | 4,564         | 167          | 0             |            |          | 0              |
| Gifted/Talented      | 210           | 926        | 530           |              | 606           |            |          | 606            |
| FCS-Family Cons Sci  | 291           | 151        | 165           |              | 277           |            |          | 277            |
| Band trip            | 0             | 45,078     | 45,078        |              | 0             |            |          | 0              |
| Band                 | 402           | 1,133      | 153           |              | 1,382         |            |          | 1,382          |
| Marching Band Fees   | 3,703         | 30,542     | 30,282        |              | 3,963         |            |          | 3,963          |
| Drama                | 6,105         | 5,262      | 8,049         |              | 3,318         |            |          | 3,318          |
| Beta                 | 0             | 20         |               |              | 20            |            |          | 20             |
| SRS 2017             | 3,116         | 3,816      | 6,645         | 672          | 959           |            |          | 959            |
| SRS 2018             | 2,995         | 6,012      | 7,080         | (672)        | 1,255         |            |          | 1,255          |
| SRS 2019             | 230           | 1,043      |               |              | 1,273         |            |          | 1,273          |
| SRS 2020             | 108           | 1,362      |               |              | 1,470         |            |          | 1,470          |
| SRS 2021             | 80            |            |               |              | 80            |            |          | 80             |
| SRS 2022             | 93            |            |               |              | 93            |            |          | 93             |
| Athletic Concessions | 10,592        | 17,804     | 21,732        | (2,229)      | 4,435         |            |          | 4,435          |
| Drink Commissions    | <u>509</u>    | <u>244</u> | <u>175</u>    | <u>(167)</u> | <u>411</u>    |            |          | <u>411</u>     |
| TOTAL                | \$44,967      | \$310,341  | \$315,824     | 0            | \$39,484      | \$437      | \$0      | \$39,921       |

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2017

| Federal Grantor/Passed-Through Grantor<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass<br>Through<br>Grantor's<br>Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                       |                           |  |                         |
| Passed through Kentucky Department of Education                    |                           |  |                         |
| Child Nutrition Cluster  |                           |  |                         |
| National School Lunch Program                                      | 10.555                    | 7750002 16                             | \$72,336                |
| National School Lunch Program                                      | 10.555                    | 7750002 17                             | 292,128                 |
| Commodities  | 10.555                    | not provided                           | 20,192                  |
| School Breakfast Program   | 10.553                    | 7760005 16                             | 23,458                  |
| School Breakfast Program   | 10.553                    | 7760005 17                             | <u>89,495</u>           |
| SubTotal Child Nutrition Cluster                                   |                           |  | 497,609                 |
| Child and Adult Care Food Program (CACFP)                          | 10.558                    | 7800016 17                             | 6,322                   |
| Child and Adult Care Food Program (CACFP)                          | 10.558                    | 7800016 16                             | 1,108                   |
| Child and Adult Care Food Program (CACFP)                          | 10.558                    | 7790021 17                             | 86,856                  |
| Child and Adult Care Food Program (CACFP)                          | 10.558                    | 7790021 16                             | <u>15,218</u>           |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                               |                           |  | 607,113                 |
| <b><u>U.S. Department of Education</u></b>                         |                           |  |                         |
| Passed through Kentucky Department of Education                    |                           |  |                         |
| Improving America's School Act of 1994                             |                           |  |                         |
| Title I, Part A Cluster  |                           |  |                         |
| Title I Grants to Local Educational Agencies                       | 84.010                    | 3100002 15                             | 37,090                  |
| Title I Grants to Local Educational Agencies                       | 84.010                    | 3100002 16                             | <u>147,425</u>          |
|  |                           | subtotal                               | 184,515                 |
| Special Education Cluster (IDEA)                                   |                           |  |                         |
| Special Education-Grants to States (IDEA, Part B)                  | 84.027                    | 3810002 15                             | 10,710                  |
| Special Education-Grants to States (IDEA, Part B)                  | 84.027                    | 3810002 16                             | 120,098                 |
| Special Education-Preschool Grants (IDEA, Preschool)               | 84.173                    | 3800002 16                             | 1,011                   |
| Special Education-Preschool Grants (IDEA, Preschool)               | 84.173                    | 3800002 15                             | <u>163</u>              |
|  |                           | subtotal                               | 131,982                 |

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2017

| Federal Grantor/Passed-Through Grantor<br><u>Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass<br/>Through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------------------|--|---------------------------------|
| <u>U.S. Department of Education</u>                                       |                                    |  |                                 |
| Passed through Kentucky Department of Education                           |                                    |  |                                 |
| Improving Teacher Quality State Grants                                    | 84.367                             | 3230002 15                                       | 26,183                          |
| Improving Teacher Quality State Grants                                    | 84.367                             | 3230002 16                                       | <u>19,662</u>                   |
|   |                                    | subtotal   | 45,845                          |
| Passed through Walton Verona Independent Board of Education               |                                    |  |                                 |
| Carl D Perkins Career & Technical Education Act of                        | 84.048                             | 348A   | 2,582                           |
| Passed through Erlanger-Elsmere Independent Board of Education            |                                    |  |                                 |
| Title IV, Elementary School Counseling Program                            | 84.215E                            | 532B   | <u>132,867</u>                  |
| TOTAL U.S. DEPARTMENT OF EDUCATION  |                                    |  | 497,791                         |
| <br><b>Federal Direct</b>   |                                    |  |                                 |
| <b><u>U.S. Health and Human Services</u></b>                              |                                    |  |                                 |
| Head Start  |                                    |  |                                 |
| Head Start  | 93.600                             | 655B   | 111,767                         |
| Head Start  | 93.600                             | 655C   | <u>722,988</u>                  |
| Total Head Start  |                                    |  | 834,755                         |
| TOTAL U.S. HEALTH AND HUMAN SERVICES                                      |                                    |  | 834,755                         |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                                      |                                    |  | \$1,939,659                     |

The accompanying notes are an integral part of this schedule

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Williamstown Independent School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$20,192.

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502-857-2579**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Williamstown Independent Board of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

I noted certain matters that I reported to management of the District in a separate letter dated August 29, 2017.

### **Purpose of this Report**

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 29, 2017

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

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

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

We have audited Williamstown Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 29, 2017

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For The Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?                     yes  no  
 Significant deficiency(ies) identified                 yes  none reported  
 Noncompliance material to financial statements noted?    yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?                     yes  no  
 Significant deficiency(ies) identified                 yes  none reported

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

Any audit findings disclosed that are required to be reported  
 in accordance with section 2 CFR 200.516(a)?                     yes  no

Identification of major programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 93.600                | Head Start                                |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?                     yes  no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2017

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2016-001 was corrected with additional written policies and procedures.

MANAGEMENT LETTER

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

Williamstown Independent Board of Education  
Williamstown, Kentucky

We have audited the financial statements of the Williamstown Independent School District for the year ended June 30, 2017 and have issued our report thereon dated September 28, 2017. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2016-001, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-010, 2016-012, 2016-013, 2016-015, 2016-016, 2016-017, and 2016-018.

The following items from last year's management letter points were not corrected: 2016-002, 2016-009, 2016-011, 2016-014 .

*Denise M. Keene, CPA*  
August 29, 2017

## CURRENT YEAR MANAGEMENT POINTS

2017-001

KRS 424.260 requires the District to advertise for bids for an expenditure of more than \$20,000 for materials and supplies. The District spent more than \$20,000 with one vendor that had not been bid. I recommend the District monitor expenditures for compliance with Bid Law. **This is a repeat finding from last year.**

Management's Response:

The wording of the contract received was for districts under model procurement. Once it was realized the contract was wrong (since we are bid law), the food service was aware that she need stay under \$20,000. Unfortunately, the vendor was not stopped and exceeded \$20,000 in items purchased. A proper bid contract will be obtained or the food service director will buy goods from this vendor under the \$20,000 limit.

The following comments for Head Start do not have a direct and material effect on the program, but are for management to improve their documentation procedures:

2017-002

Head Start did not file Forms 429 and 429-A. These forms are required to be filed annually. I recommend the District file Forms 429 and 429-A annually.

Management's Response:

Prior regulations listed the modular units as equipment and therefore they have remained on the equipment list as inventory. In December 2014, a mandate stated that modular units should be counted as real property. Since federal interest had been filed, and we had a review in March 2016 on this content area with no findings, we did not file the 429 or 429A forms. These forms will be filed with the next grant year.

2017-003

Documentation for volunteer hours for in-kind match for the Head Start program needs to improve. Currently the District has a sign in sheet for volunteers to document their attendance and participation. However, the sign in sheet does not indicate how long the activity lasted. I am sure the staff person who is inputting the time on a monthly basis knows how much time to credit to each individual, but I was not able to test that. I recommend the sign in sheet for each activity have a place for the time for each event.

Management's Response:

When reviewing the forms, we realized that staff had updated forms to be more visually appealing. Multiple forms were being used along with the original. The updated forms did not have a place for the amount of the time to be recorded for volunteer hours. We will be using a uniform form to ensure the hours listed can be counted as volunteer/in-kind hours.

## **WILLIAMSTOWN JR/SR HIGH SCHOOL**

2017-004

According to the Redbook, "Teachers, sponsors, or students shall use the Multiple Receipt Form or pre-numbered receipts when collecting money." Teachers are not completing the multiple receipt forms as they should. I recommend teachers complete the multiple receipt forms correctly and turn them into the bookkeeper. **This is a repeat finding from last year.**

Management's Response:

The principal and treasurer will re-educate all staff on the proper procedures for completing the Multiple Receipt form or pre-numbered receipts when collecting money. The treasurer will not accept money and/or Multiple Receipt Forms that are not completed correctly. The staff specifically identified is no longer an employee, so that issue should resolve itself.

2017-005

According to the Redbook, "All money collected by a teacher/sponsor shall be given to the school treasurer on the day collected." Testing disclosed some checks were not turned in for over a month. I recommend the Principal remind all staff to turn money in on the day it is collected. **This is a repeat finding from last year.**

Management's Response:

The principal will re-educate all staff on the requirement of turning in money daily. The treasurer will closely inspect the dates of all checks that are turned in, and if there is a discrepancy between the date on the checks and the date the money is turned in, the treasurer will inform sponsor/staff member, and the principal. The principal will then meet with any teacher/staff member in violation, if and/or when that becomes necessary. Further, the principal will meet specifically with staff that were identified to discuss this issue individually.

2017-006

According to the Redbook, "All checks shall contain the signatures of the principal or his designee, and the school treasurer." There were four (4) checks during the year with only the school treasurer's signature. I recommend all checks be reviewed prior to distribution to assure there are two signatures on the check. **This is a repeat finding from last year.**

Management's Response:

The treasurer will ensure that all checks contain the required two signatures prior to distribution. Failure to obtain the required two signatures will be noted and addressed in the treasurer's yearly evaluation and an action planned devised, if necessary.

2017-007

According to the Redbook, gift cards are disallowed expenditures. The School purchased numerous gift cards during the year. The Principal should not approve gift card purchases.

Management's Response:

The Purchase Orders submitted for these purchases did not state that gift cards were to be bought; therefore, it was assumed that food, drinks, and tangible gifts were being bought for project graduation/senior night. Staff will be re-educated about gift cards being a disallowed expenditure, and a conference will be held with the individual staff members responsible for purchasing gift cards. Further, staff will be educated about purchase orders including an itemized list, rather than general statements, and the principal will not sign purchase orders without detailed descriptions.

**WILLIAMSTOWN ELEMENTARY SCHOOL – NO COMMENTS**