

WILLIAMSTOWN INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2018

Denise M. Keene  
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**DENISE M KEENE  
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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, 2018, 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 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, 2018 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. The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for July 1, 2017. 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 57 and 58 ; the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 59 and 60 ; the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 61 and 62, 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 are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 September 21, 2018 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 the effectiveness of the Board's 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  
September 21, 2018

**WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$2,018,792.

The ending cash balance for the District was \$2,427,332.

The General Fund had \$7,526,570 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$7,386,847 in General Fund expenditures. This includes on-behalf payments.

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

After a salary study was completed by the Board of Education, it was determined that Food Service employees were paid less than other employees when compared to districts of our size. All Food Service employees were given a 3% salary increase, which was funded by Food Service funds.

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

The High School received the DURR grant totaling \$15,000.

The District replaces a 20-year-old chiller for \$65,000.

2 High School classrooms, the Band room, and the Chorus room received renovations to include new tile. Paint was applied in the Band room.

The District purchased a weight room for student athletes. The cost of this project was approximately \$10,000.00

The District had storm damage following a storm in April that caused the district to replace the flagpole, a dump truck, one softball dugout, tree removal on the cross country course, and other small projects to repair damages.

The District had the parking lots resealed and striped.

The District continues to support a site license for Apps, and on-line curriculum delivery software program.

The Board of Education took the compensating rate, which actually lowered the tax rate from 93.4 to 92.9.

The District continues to pay more in student travel due to extra/co-curricular advancement in state, regional and national competitions.

The District continues to participate in "Crayons to Computers" saving the District money on school supplies.

The District paid \$17,180.72 on sick day payouts for 2 retirements. These were included in the budget.

The District continues to support financially the development of a varsity soccer team by expanding the program from middle school to a high school JV team and Varsity team.

The District gives a band allocation of \$20,000.00.

## **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 24-55 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, liabilities exceeded assets by \$534,298 as of June 30, 2018.

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, 2017 and 2018**

2017 District-wide net position compared to 2018 are as follows:

	<b>Net Position (in thousands)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Assets	\$15,261	\$15,630	\$1,079	\$1,100	\$16,340	\$16,730
Deferred Outflows of Resources	\$1,872	\$1,062	\$197	\$102	\$2,069	\$1,164
Liabilities	\$17,285	\$14,678	\$629	\$385	\$17,914	\$15,063
Deferred Inflows of Resources	\$382	\$123	\$54	\$17	\$436	\$140
Investment in Capital Assets (net of debt)	\$1,974	\$1,284	\$939	\$966	\$2,913	\$2,250
Restricted	200	201	(346)	(166)	(146)	35
Unrestricted	<u>(2,708)</u>	<u>406</u>	<u>0</u>	<u>0</u>	<u>(2,708)</u>	<u>406</u>
<b>Total Net Position</b>	<b>(\$534)</b>	<b>\$1,891</b>	<b>\$593</b>	<b>\$800</b>	<b>\$59</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 \$419,313 in contingency, which is 6.09 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.

Revenues	Changes in Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Local Revenue Sources	\$2,146	\$2,056	\$52	\$54	\$2,198	\$2,110
State Revenue Sources	7,035	6,605	64	66	7,099	6,671
Federal Revenue Sources	1,278	1,333	611	607	1,889	1,940
Investments	<u>15</u>	<u>12</u>	<u>1</u>	<u>0</u>	<u>16</u>	<u>12</u>
<b>Total Revenues</b>	10,474	10,006	728	727	11,202	10,733

Expenses	Changes in Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	5,712	5,069			5,712	5,069
Student Support Services	493	410			493	410
Instructional Support	690	636			690	636
District Administration	309	319			309	319
School Administration	549	465			549	465
Business Support	222	251			222	251
Plant Operations	768	654			768	654
Student Transportation	427	716			427	716
Facilities Acquisition & Construction	0	397			0	397
Community Support	77	89			77	89
Food Service		5	791	749	791	754
Debt Service	<u>1,215</u>	<u>1,211</u>			<u>1,215</u>	<u>1,211</u>
<b>Total Expenses</b>	10,462	10,222	791	749	11,253	10,971
Loss on Assets	100		(18)	(5)	82	(5)
Bond/Capital Lease proceeds	193	237			193	237
<b>Change in Net Position</b>	305	21	(81)	(27)	224	(6)
<b>Beginning Net Position</b>	<u>1,905</u>	<u>1,884</u>	<u>674</u>	<u>827</u>	<u>2,579</u>	<u>2,711</u>
<b>Ending Net Position</b>	\$2,210	\$1,905	\$593	\$800	\$2,803	\$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	\$1,744	\$7,626	\$7,387	\$69	\$2,052
Special Revenue	\$75	\$1,917	\$1,930	\$16	\$78
Capital Outlay	\$0	\$75	\$0	(\$75)	\$0
Building	\$7	\$673	\$0	(\$680)	\$0
Construction	\$80	\$0	\$0	\$0	\$80
Debt Service	\$0	\$475	\$1,146	\$671	\$0

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

	Beginning	Additions	Deductions	Ending
<b>Governmental</b>				
Capital Assets	\$22,111	\$146	\$244	\$22,013
Accumulated Depreciation	\$8,529	\$789	\$222	\$9,096
<b>Business-Type</b>				
Capital Assets	\$1,555	\$60	\$37	\$1,578
Accumulated Depreciation	\$589	\$69	\$19	\$639
Bonds Payable	\$11,376	\$0	\$878	\$10,498
Capital Leases Payable	\$406	\$193	\$153	\$446
Sick Leave Payable	\$74	\$5	\$24	\$55

**CURRENT ISSUES**

The enrollment trend is a decrease of approximately 15 students per year. However, at the beginning of this school year enrollment has remained steady from the end of the FY'18 school year.

For FY'19, The Board of Education approved a 1% salary increase for all staff to help us remain competitive to surrounding districts. The district also continues to give step and/or rank salary increases.

The District applied for and received several grants to begin in the 2018-2019 school year. The Striving Readers Grant is a two-year grant for a total of \$500,000. The 21st Century Grant is a three-year grant totaling \$450,000.

The District has created a Literacy Coach to serve P-12 students and staff. Half of this position is funded through the Striving Readers Grant.

The District has created a 21st Century Program Coordinator for Williamstown Elementary School to direct the after school program. This is fully funded with the 21st Century Program Grant.

The District purchased a van for transporting small groups of students to events and activities.

The schools continue to purchase chromebooks for student use, but we are still not at a 1:1 ratio as hoped.

The District completed the final year of the counseling grant, which put two counselors in the elementary school. The district is going to two full time counselors (1 in the elementary and 1 in the Jr/Sr High School) and an Academic Advisor in the Jr/Sr High School. The district is collaborating with NorthKey to provide additional counseling resources.

The District continues to support the Air & Space Academy at the Williamstown High School to increase career pathways, as well as, project based STEM opportunities.

The District would like to obtain items such as a soccer field/track, to enhance student opportunities in the future.

The District continues to see cuts in Flex Focus funds. The Kentucky Department of Education completely cut instructional materials and Professional Development funds causing the District to allocate general fund dollars for these areas.

We will continue to monitor salary schedules to be competitive in order to obtain high quality staff in all departments.

Do we employ enough staff in areas (i.e. custodians, library media center, food service, etc.) to ensure cleanliness and provide proper student and staff support?

### **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, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$2,244,408	\$126,527	\$2,370,935
Accounts receivable	98,675		98,675
Inventory		13,148	13,148
Capital assets			
Land and construction in progress	95,130		95,130
Other capital assets, net of depreciation	<u>12,822,571</u>	<u>938,916</u>	<u>13,761,487</u>
Total capital assets	12,917,701	938,916	13,856,617
<b>TOTAL ASSETS</b>	<b>\$15,260,784</b>	<b>\$1,078,591</b>	<b>\$16,339,375</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension contributions	\$187,872	\$28,408	\$216,280
Deferred outflows from pension changes, expectations	822,565	124,327	946,892
Deferred outflows from OPEB contributions	153,155	9,632	162,787
Deferred outflows from OPEB changes, expectations	231,566	35,000	266,566
Deferred outflows from advanced bond refundings	<u>477,265</u>		<u>477,265</u>
Total Deferred outflows	\$1,872,423	\$197,367	\$2,069,790
<b>LIABILITIES</b>			
Accounts payable	\$13,540	\$	\$13,540
Judgments payable	10,505		10,505
Unearned revenues	108,520		108,520
Interest payable	50,172		50,172
Long-term Liabilities			
Due within 1 year	1,032,123		1,032,123
Due in more than 1 year	9,966,349		9,966,349
OPEB Liability	3,005,211	160,851	3,166,062
Pension Liability	<u>3,098,556</u>	<u>468,332</u>	<u>3,566,888</u>
<b>TOTAL LIABILITIES</b>	<b>\$17,284,976</b>	<b>\$629,183</b>	<b>\$17,914,159</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	\$301,810	\$45,617	\$347,427
Deferred inflows from OPEB	<u>80,719</u>	<u>8,422</u>	<u>89,141</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$382,529</b>	<b>\$54,039</b>	<b>\$436,568</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$1,974,287	\$938,916	2,913,203
Restricted			
Food Service		139,675	139,675
Other	78,166	(485,855)	(407,689)
Accrued sick leave	27,529		27,529
Future Construction Projects	80,219		80,219
Debt Service	91		91
District Activity Funds	13,860		13,860
Unrestricted	<u>(2,708,450)</u>		<u>(2,708,450)</u>
<b>TOTAL NET POSITION</b>	<b>(\$534,298)</b>	<b>\$592,736</b>	<b>\$58,438</b>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2018

FUNCTIONS/PROGRAMS

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$8,044,733	\$95,210	\$1,552,902		(\$6,396,621)	\$	(\$6,396,621)
Support services:							
Student	508,929		64,958		(443,971)		(443,971)
Instruction staff	698,176		29,057		(669,119)		(669,119)
District administrative	342,365				(342,365)		(342,365)
School administrative	553,534				(553,534)		(553,534)
Business	222,109		46,302		(175,807)		(175,807)
Plant operation and maintenance	1,021,390		15,826		(1,005,564)		(1,005,564)
Student transportation	491,166		122,377		(368,789)		(368,789)
Community service activities	76,719		76,618		(101)		(101)
Interest on long-term debt	183,856		8,809	96,591	(78,456)		(78,456)
Total governmental activities	12,142,977	95,210	1,916,849	96,591	(10,034,327)		(10,034,327)
<b>Business-type Activities</b>							
Food service	790,794	51,773	675,441			(63,580)	(63,580)
Total business-type activities	790,794	51,773	675,441			(63,580)	(63,580)
Total school district	\$12,933,771	\$146,983	\$2,592,290	\$96,591	(\$10,034,327)	(\$63,580)	(\$10,097,907)

**General Revenues**

Property taxes	\$1,479,937					\$1,479,937
Motor Vehicle taxes	120,088					120,088
Utility taxes	202,800					202,800
State aid-formula grants	6,487,815					6,487,815
Investment earnings	14,233				651	14,884
Loss on sale of assets	(21,453)				(18,046)	(39,499)
Miscellaneous	160,396					160,396
Total general & special	8,443,816				(17,395)	8,426,421
Change in net positions	(1,590,511)					(1,590,511)
Net position - beginning	1,890,948					1,890,948
Prior period adjustment-Note T	(834,735)					(834,735)
Net position - ending	(\$534,298)					\$592,736

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$2,041,762	\$122,336	\$91	\$80,219	\$2,244,408
Other receivables	<u>34,325</u>	<u>64,350</u>			<u>98,675</u>
<b>TOTAL ASSETS</b>	<b>\$2,076,087</b>	<b>\$186,686</b>	<b>\$91</b>	<b>\$80,219</b>	<b>\$2,343,083</b>
<b>LIABILITIES</b>					
Accounts payable	\$13,540	\$0	\$0	\$0	\$13,540
Unearned revenues		108,520			108,520
Judgments payable	<u>10,505</u>				<u>10,505</u>
<b>TOTAL LIABILITIES</b>	<b>24,045</b>	<b>108,520</b>	<b>\$0</b>	<b>\$0</b>	<b>132,565</b>
<b>Fund Balances</b>					
Restricted					
Sick Leave Payable	27,529				27,529
Future Construction Projects				80,219	80,219
Debt Service			91		91
Other		78,166			78,166
Committed					
Other	13,860				13,860
Unassigned	<u>2,010,653</u>				<u>2,010,653</u>
<b>Total fund balances</b>	<b>2,052,042</b>	<b>78,166</b>	<b>91</b>	<b>80,219</b>	<b>2,210,518</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$2,076,087</b>	<b>\$186,686</b>	<b>\$91</b>	<b>\$80,219</b>	<b>\$2,343,083</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, 2018

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

<b>Total Fund Balance - Governmental Funds</b>	<b>\$2,210,518</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position	12,917,701
Deferred outflows of resources	1,872,423
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	
	Deferred inflows of resources (382,529)
	Pension Liability (3,098,556)
	OPEB Liability (3,005,211)
	Bonds Payable (10,497,415)
	Capital Leases Payable (445,999)
	Accrued Interest on Bonds (50,172)
	Accumulated Sick Leave <u>(55,058)</u>
<b>Total Net Position - Governmental Activities</b>	<b>(\$534,298)</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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources					
Property taxes	\$1,220,509	\$	\$	\$259,428	\$1,479,937
Motor vehicle taxes	120,088				120,088
Utility tax	202,800				202,800
Earnings on investments	14,153	555	80		14,788
Other local revenues	155,949	187,791			343,740
Intergovernmental - State	5,619,832	450,230	475,296	489,278	7,034,636
Intergovernmental - Federal		<u>1,278,273</u>			<u>1,278,273</u>
Total revenues	<u>7,333,331</u>	<u>1,916,849</u>	<u>475,376</u>	<u>748,706</u>	<u>10,474,262</u>
<b>Expenditures</b>					
Instruction	4,146,804	1,565,378			5,712,182
Support services					
Student	428,152	64,958			493,110
Instruction staff	661,143	29,057			690,200
District administration	308,995				308,995
School administration	548,730				548,730
Business	175,246	46,302			221,548
Plant operation and maintenance	752,125	15,826			767,951
Student transportation	305,027	122,377			427,404
Community service activities		76,618			76,618
Debt service	<u>60,625</u>	<u>8,809</u>	<u>1,145,788</u>		<u>1,215,222</u>
Total expenditures	<u>7,386,847</u>	<u>1,929,325</u>	<u>1,145,788</u>	<u>0</u>	<u>10,461,960</u>
Excess(deficit)of revenues over expenditures	(53,516)	(12,476)	(670,412)	748,706	12,302
<b>Other Financing Sources (Uses)</b>					
Loss Compensation of Assets	99,657				99,657
Bond and Capital Lease proceeds	193,239				193,239
Operating transfers in	84,818	15,750	670,492		771,060
Operating transfers out	<u>(15,750)</u>			<u>(755,310)</u>	<u>(771,060)</u>
Total other financing sources (uses)	<u>361,964</u>	<u>15,750</u>	<u>670,492</u>	<u>(755,310)</u>	<u>292,896</u>
<b>Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds</b>	<b>308,448</b>	<b>3,274</b>	<b>80</b>	<b>(6,604)</b>	<b>305,198</b>
Fund balance, July 1, 2017	<u>1,743,594</u>	<u>74,892</u>	<u>11</u>	<u>86,823</u>	<u>1,905,320</u>
Fund balance, June 30, 2018	\$2,052,042	\$78,166	\$91	\$80,219	\$2,210,518

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, 2018

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

**Total net change in fund balances - governmental funds** \$305,198

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	(788,572)	
	Capital Outlays	<u>145,615</u>	(642,957)

Loss on sale of assets			(21,453)
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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		878,274
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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		152,798
	Proceeds from Capital Lease		(193,239)

	Deferred Outflows		810,484
	Deferred Inflows		(259,786)

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		(479,098)
	Change in OPEB Liability		(2,170,476)
	Change in Accrued Interest		294
	KSBIT liability		10,505
	Change in Sick Leave		<u>18,945</u>

**Total Change in Net Position - Governmental Activities** (\$1,590,511)

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2018

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>ASSETS</b>	
Cash in Bank	\$126,527
Inventory	13,148
Capital Assets, net of depreciation	<u>938,916</u>
<b>TOTAL ASSETS</b>	<b>\$1,078,591</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension	\$152,735
Deferred outflows from OPEB	<u>44,632</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$197,367</b>
<b>LIABILITIES</b>	
Pension liability - Long term	\$468,332
OPEB liability - Long term	<u>160,851</u>
<b>TOTAL LIABILITIES</b>	<b>\$629,183</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension	\$45,617
Deferred inflows from OPEB	<u>8,422</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$54,039</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	938,916
Restricted - Pension	(361,214)
Restricted - OPEB	(124,641)
Restricted Net Position	<u>139,675</u>
<b>TOTAL NET POSITION</b>	<b>\$592,736</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, 2018

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Lunchroom sales	<u>\$51,773</u>
Total Operating Revenues	51,773
<b>OPERATING EXPENSES</b>	
Salaries and wages	386,215
Contract services	12,788
Materials and supplies	321,962
Miscellaneous	575
Depreciation	<u>69,254</u>
Total Operating Expenses	790,794
Operating income (loss)	(739,021)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants	588,493
Commodities received	22,583
State grants	4,880
State on-behalf payments	59,485
Interest income	651
Gain (Loss) on Assets	<u>(18,046)</u>
Non-operating revenues (expenses)	658,046
Net income (loss)	(80,975)
Increase (decrease) in Net Position	(80,975)
Net Position, July 1, 2017	799,878
Prior Period Adjustment OPEB	<u>(126,167)</u>
Net Position, June 30, 2018	<u>\$592,736</u>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2018

Business-Type Activities  
Enterprise Funds  
Food  
Service  
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$51,773
Cash paid to employees, including benefits	(267,518)
Cash paid to suppliers	<u>(317,984)</u>
Net cash provided by operating activities	(533,729)

CASH FLOW FROM NONCAPITAL  
FINANCING ACTIVITIES

Cash received from government funding	<u>593,373</u>
Net cash provided from capital and related financing activities	593,373

CASH FLOW FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Purchase of fixed assets	(60,344)
Interest income	<u>651</u>
Net cash provided from capital and related financing activities	(59,693)

Net increase (decrease) in cash (49)

Cash and equivalents, July 1, 2017 126,576  
Cash and equivalents, June 30, 2018 \$126,527

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$739,021)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation	69,254
On-behalf payments	59,485
Commodities used	22,583
(Increase) Decrease in inventory	(5,242)
(Increase) Decrease in Deferred outflows	(95,244)
Increase (Decrease) in Deferred inflows	36,982
Increase (Decrease) in Pension Liability	<u>117,474</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$533,729)

**Schedule of Non-Cash Financing Activities**

Donated commodities	\$22,583
On Behalf payments	\$59,485

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2018

	Agency Fund
<b>ASSETS</b>	
Cash and equivalents	\$56,397
Accounts receivable	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$56,397</b>
<b>LIABILITIES</b>	
Accounts payable	\$573
Due to student groups	<u>55,824</u>
<b>TOTAL LIABILITIES</b>	<b>\$56,397</b>

See accompanying notes

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

**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, 2018

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, 2018

- (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, 2018

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, 2018

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, 2018, to finance operations were \$.929 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, 2018

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 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, 2018

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, 2018 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.

Postemployment Benefits Other than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

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 September 21, 2018, 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, 2018, have not been evaluated by the District.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

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 2018 were levied on the assessed valuation of property located in the School District as of January 1, 2017 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, 2018

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,427,332. 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, 2018 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$2,041,762
Special Revenue		122,336
Fund 310		0
Fund 320		0
Fund 360		80,219
Fund 51		<u>126,527</u>
Total General Checking Account	2,850,761	2,370,844
Agency Funds	57,193	56,397
Debt Service Funds	<u>91</u>	<u>91</u>
TOTALS	\$ 2,908,045	\$2,427,332

Breakdown per financial statements:

Governmental Funds	\$ 2,244,408
Proprietary Funds	126,527
Agency Funds	<u>56,397</u>
TOTALS	\$ 2,427,332

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, 2018, 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, 2018

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<b>Governmental Activities</b>	July 1, 2017	Additions	Retirements	June 30,2018
Land	95,130			95,130
Land Improvements	1,570,589			1,570,589
Building & Building Improve	17,708,241			17,708,241
Technology Equipment	790,422	94,842	9,923	875,341
Vehicles	1,289,689	28,498	215,867	1,102,320
General Equipment	657,124	22,275	17,775	661,624
Construction in Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals at historical cost	22,111,195	145,615	243,565	22,013,245
Accumulated Depreciation				
Land Improvements	402,613	73,401		476,014
Building & Building Improve	6,193,599	506,925		6,700,524
Technology Equipment	569,037	81,668	9,230	641,475
Vehicles	898,175	89,702	201,497	786,380
General Equipment	<u>465,660</u>	<u>36,876</u>	<u>11,385</u>	<u>491,151</u>
Total accumulated depreciation	8,529,084	788,572	222,112	9,095,544
Capital Assets – Net	13,582,111	(642,957)	(21,453)	12,917,701
<b>Business-Type Activities</b>				
Building & Building Improve	1,240,025			1,240,025
Technology Equipment	7,294			7,294
General Equipment	<u>307,258</u>	<u>60,344</u>	<u>37,123</u>	<u>330,479</u>
Totals at historical cost	1,554,577	60,344	37,123	1,577,798
Accumulated Depreciation				
Building & Building Improve	392,522	49,601		442,123
Technology Equipment	1,047	1,459		2,506
General Equipment	<u>195,136</u>	<u>18,194</u>	<u>19,077</u>	<u>194,253</u>
Total accumulated depreciation	588,705	69,254	19,077	638,882
Capital Assets – Net	965,872	(8,910)	(18,046)	938,916

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

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

Instruction	\$ 380,242
Support Services	
Student	15,819
Instructional staff	7,976
District administration	33,370
School administration	4,804
Business	561
Plant operations & maintenance	253,439
Student transportation	92,260
Community services	<u>101</u>
Total Depreciation expense, governmental activities	788,572

**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
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, 2018

**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 Balance	Additions	Payments	Ending Balance
Bonds	\$11,375,689	\$0	\$878,274	\$10,497,415
Capital Leases	\$405,558	\$193,239	\$152,798	\$445,999
Sick Leave	\$74,003	\$4,736	\$23,681	\$55,058

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, 2018 for debt service (principal and interest) are as follows:

Fiscal Year	WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
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
2022-2023	556,944	112,826	368,056	61,284	1,099,110
2023-2028	2,763,874	355,900	1,701,126	190,865	5,011,765
2028-2033	715,324	85,907	359,676	72,243	1,233,150
2033-2036	<u>226,831</u>	<u>12,795</u>	<u>228,169</u>	<u>12,425</u>	<u>480,220</u>
TOTALS	6,393,618	1,132,832	4,103,797	653,362	12,283,609

**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 June 30, 2018
Buses & Equipment	\$ 465,940

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, 2018:

Year Ending June 30,	Capital Lease Payable
2019	\$ 141,053
2020	95,279
2021	76,651
2022	60,767
2023	25,362
Thereafter	<u>82,020</u>
Total minimum lease payments	481,132
Less: Amount representing interest	<u>(35,133)</u>
Present Value of Net Minimum Lease Payments	\$ <u>445,999</u>

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

**NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District had no commitments under operating lease agreements as of June 30, 2018.

**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, 2018, this amount totaled \$55,058 of which \$27,529 is restricted in the current year fund balance of the General Fund.

**NOTE K – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2018, 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, 2018

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

Funds with a current year deficit of revenues over expenditures

Fund 320	( 6,604)
Fund 51	( 80,975)

**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.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 15,750
Debt Service	320	400	Bond Payment	595,494
Debt Service	310	400	Bond Payment	74,998
Capital Funds	320	1	Capital Funds	84,818

**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	\$ 921,262
Life Insurance	1,452
Administrative Fees	11,975
HRA/Dental/Vision	46,904
Federal Reimbursement	(148,802)
Technology	26,961
TRS	1,070,522
KISTA Capital Lease	45,957
SFCC Debt Service	<u>429,339</u>
Total	\$2,405,570
Fund 1 On Behalf Payments	\$1,870,789
Fund 51 On Behalf Payments	59,485
Fund 400	<u>475,296</u>
Total	\$2,405,570

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

**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</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 10,505
Total	\$ 10,505

**NOTE R – GASB 68, 71 AND 75**

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.

The provisions of GASB 75 were adopted by the District for the fiscal year beginning July 1, 2017. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

**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, 2018

**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 and life insurance 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 and three quarters (3.75%) 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, 2018, 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>\$ 27,960,599</u>
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WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

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

The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.1036 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$993,421 and revenue of \$993,421 for support provided by the State.

*Actuarial assumptions* – The total pension liability in the June 30, 2017 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	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%

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 BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

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, 2018

**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	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	0.8%
Total	<u>100.0%</u>	

*Discount rate* - The discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assume that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date, so as required under GASB 68, the SEIR of 4.49% at the Measurement Date was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.56%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

The following table presents the net pension liability of the System, calculated using the discount rate of 4.49%, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
System's net pension liability	\$36,290,615	\$27,960,599	\$23,519,700

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

June 30, 2016 is the actuarial valuation date upon which the TPL is based. The TPL from this valuation was determined using a discount rate of 4.49%, which was based on a municipal bond index rate as of that date equal to 3.56%. The TPL used last year was determined using a discount rate of 4.20%, which was based on a municipal bond index rate of 3.01%. These two amounts are rolled forward to June 30, 2017 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, 2017 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, 2017 based on the TPL roll-forward in the June 30, 2016 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.20% interest rate is reflected as an experience gain or loss for the year.

The Total OPEB Liability (TOL) as of June 30, 2017 was determined based on an actuarial valuation prepared as of June 30, 2016, using the following actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.56%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price Inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.75% for FYE 2017 decreasing to an Ultimate rate of 5.00% by FYE 2023
Ages 65 and Older	5.75% for FYE 2017 decreasing to an Ultimate rate of 5.00% by FYE 2020
Medicare Part B Premiums	1.02% for FYE 2017 with an ultimate Rate of 5.00% by 2029

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disable Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan’s NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$2,953,000	\$1,941,000	\$4,234,000

Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2017 was 8.00% for the MIF and 7.50% for the LIF.

Projected cash flows:

MIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2016.

The MIF’s FNP was not projected to be depleted.

LIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2016.

The LIF’s FNP was not projected to be depleted.

Long-term rate of return. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal bond rate. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2115.

Assumed asset allocation. The target asset 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>MIF</u> Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories *	10.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	<u>0.5%</u>
Total	100.0%	

\* Modeled as 50% High Yield and 50% Bank Loans

<u>Asset Class</u>	<u>LIF</u> Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
U.S. Large Cap Equity	38.40%	4.30%
U.S. Small Cap Equity	2.60%	4.80%
Developed Int'l Equity	15.80%	5.20%
Emerging Markets Equity	4.20%	5.40%
Fixed Income - Inv Grade	16.00%	1.20%
Real Estate	6.00%	4.00%
Private Equity	7.00%	6.60%
High Yield	2.00%	4.30%
Other Additional Categories **	7.0*	3.30%
Cash (LIBOR)	<u>2.00%</u>	0.50%
Total	100.00%	

\* As the LIF investment policy is to change, the above table reflects the pension allocation and returns that achieve the targeted 7.5% long-term rate of return.

\*\* Modeled as 50% High Yield and 50% Bank Loans.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 8.0% for the MIF as well as the System’s NOL calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0% for the MIF) than the current rate.

	Discount Rate Sensitivity		
	1% Decrease	Current Discount Rate	1% Increase
MIF Net OPEB Liability	2,953,000	1,941,000	4,234,000

There is no LIF Net OPEB Liability.

The Collective NOL amounts are shown in Schedule B of the GASB Statement No. 75 Report for the Teachers Retirement System of the State of Kentucky. The report can be found on their website. There is no special funding situation.

The District’s proportion of the collective NOL for the year is 0.054426%. The prior year information is not available.

June 30, 2016 is the actuarial valuation date upon which the TOL is based. The result is rolled forward using standard actuarial techniques to the measurement date. The roll forward calculation adds the normal cost (also called the service cost) for the period July 1, 2016 through June 30, 2017, subtracts the actual benefit payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the TOL as of the Measurement Date. The procedure used to determine the TOL as of June 30, 2017 can be found in the GASB Statement No. 75 Report for the Teachers Retirement System of the State of Kentucky. The report can be found on their website.

The following change was made to the assumptions as noted:

Changes to benefit terms:

June 30, 2017 (Valuation Date: June 30, 2016)

MIF – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP “shared responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF-None

Changes to assumptions or other inputs – none.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$126,000, the state contributed \$106,000 on behalf of the District for a total OPEB expense of \$232,000.

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources MIF
2019	(\$6,000)
2020	(\$6,000)
2021	(\$6,000)
2022	(\$6,000)
2023	\$0
thereafter	\$0

There are no deferred outflows of resources or deferred inflows of resources for LIF.

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in PEEHIP.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018

**NOTE 5 – RETIREMENT PLANS (continued)**

**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 19.18% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2017 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, 2017. At June 30, 2017, the District's proportion was .1130248%.

For the year ended June 30, 2018, the District recognized pension expense of \$572,942. At June 30, 2017, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$216,280, deferred outflows of resources from change of assumptions and expectations of \$946,892 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 \$347,427.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

District contributions subsequent to the measurement date of \$216,280 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, 2018. 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>	Deferred Outflows (Inflows)
2018	\$ 255,489
2019	270,153
2020	119,623
2021	( 45,801)
2022	<u>0</u>
	<u>\$ 599,464</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Remaining Amortization Period	28 years, closed
Inflation	2.30%
Salary Increase	2.0%, average, including inflation
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

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

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. 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 28 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 projected 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, 2018, is based on the June 30, 2015, actuarial valuation. 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.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

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 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 4,498,617	\$ 3,566,888	\$ 2,787,504

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, 2018 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

**OPEB**

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for any of the systems. However, subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted updated actuarial assumption which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%

The single discount rate of 5.84% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The District's proportionate share of the Net OPEB Liability as of June 30, 2017 is \$1,225,062. The District's proportionate share is 0.060938%. The District's proportionate share of the OPEB expense is \$139,601. The total Deferred Outflows of Resources is \$266,566 and the total Deferred Inflows of Resources is \$64,141. Total employer contributions were \$70,179, implicit subsidy was \$7,687 for a total contributions of \$77,866.

Investment return rate: Assumed annual rate of 6.25% net of investment expenses.

Discount Rate: 5.84%.

Price Inflation: Assumed annual rate of 2.30%.

Payroll Growth Assumption (used for amortization of unfunded accrued liabilities): Assumed annual rate of 2.00%.

Rates of Annual Salary Increase is available in the report on the state's website.

Discount Rate Sensitivity			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.84%	5.84%	6.84%
Net OPEB Liability	1,558,824	1,225,062	947,320

Healthcare Cost Trend Rate Sensitivity			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	939,686	1,225,062	1,596,035
Net OPEB Liability	939,686	1,225,062	1,596,035

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

The actuarially determined contribution rates effective for fiscal year ending 2017 are calculated as of June 30, 2015. Based on the June 30, 2015 actuarial valuation report the actuarial methods and assumptions used to calculate these contribution rates are below:

<u>Item</u>	<u>CERS Non-Hazardous</u>
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	28 Years, Closed
Payroll Growth Rate	4.00%
Investment Return	7.50%
Inflation	3.25%
Salary Increases	4.00%, average
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2018

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

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources MIF
2018	\$34,830
2019	\$34,830
2020	\$34,830
2021	\$34,830
2022	\$49,304
thereafter	<u>\$13,805</u>
Total	\$202,429

**NOTE T – PRIOR PERIOD ADJUSTMENT**

Restatement of Net Position – District Wide

	Governmental	Proprietary
OPEB Liability 7-1-2017	\$( 834,735)	\$( 126,167)
Net Position 7-1-2017	<u>1,890,948</u>	<u>799,878</u>
Restatement of Beginning Net Position	\$1,056,213	\$ 673,711

The District adopted GASB 75 during the fiscal year, recording their proportionate share of the OPEB liability.

SUPPLEMENTARY INFORMATION

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	1,388,100	1,388,100	1,543,397	155,297
Other Local Sources	110,100	110,100	170,102	60,002
State Sources	<u>5,159,850</u>	<u>5,190,659</u>	<u>5,619,832</u>	<u>429,173</u>
<b>TOTAL REVENUES</b>	<b>6,658,050</b>	<b>6,688,859</b>	<b>7,333,331</b>	<b>644,472</b>
<b>EXPENDITURES</b>				
Instruction	4,067,628	4,265,784	4,146,804	118,980
Support Services				
Student	441,197	439,693	428,152	11,541
Instructional Staff	646,011	663,084	661,143	1,941
District Administration	429,105	532,125	308,995	223,130
School Administration	379,610	380,080	548,730	(168,650)
Business	204,970	243,455	175,246	68,209
Plant Operation and Maintenance	883,309	1,036,685	752,125	284,560
Student Transportation	404,914	414,426	305,027	109,399
Food Service	5,000	5,000		5,000
Facilities and Construction	5,000	5,000		5,000
Contingency	419,313	419,313		419,313
Debt Service	<u>60,625</u>	<u>60,625</u>	<u>60,625</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b>7,946,682</b>	<b>8,465,270</b>	<b>7,386,847</b>	<b>1,078,423</b>
Excess (Deficit) of Revenues Over Expenditures	(1,288,632)	(1,776,411)	(53,516)	1,722,895
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	0	0	193,239	193,239
Operating Transfers In	0	84,818	84,818	0
Operating Transfers Out	<u>(16,000)</u>	<u>(16,000)</u>	<u>(15,750)</u>	<u>250</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(16,000)</b>	<b>68,818</b>	<b>262,307</b>	<b>193,489</b>
Loss Compensation			99,657	99,657
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,304,632)	(1,707,593)	308,448	2,016,041
Fund Balance, July 1, 2017	<u>1,304,632</u>	<u>1,706,593</u>	<u>1,743,594</u>	<u>37,001</u>
Fund Balance, June 30, 2018	\$0	(\$1,000)	\$2,052,042	\$2,053,042

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
State Sources	\$322,982	\$419,852	\$450,230	30,378
Federal Sources	1,192,127	1,316,040	1,278,273	(37,767)
Local Sources	<u>188,131</u>	<u>246,098</u>	<u>188,346</u>	<u>(57,752)</u>
<b>TOTAL REVENUES</b>	<b>1,703,240</b>	<b>1,981,990</b>	<b>1,916,849</b>	<b>(65,141)</b>
<b>EXPENDITURES</b>				
Instruction	1,462,837	1,704,114	1,565,378	138,736
Support Services				
Student	27,860	69,049	64,958	4,091
Instructional Staff	24,517	30,151	29,057	1,094
School Administration	907	0	0	0
Business	32,000	31,500	46,302	(14,802)
Plant Operations & Maintenance	15,856	26,525	15,826	10,699
Student Transportation	163,558	134,001	122,377	11,624
Debt Service	8,200	8,658	8,809	(151)
Community Service Operations	<u>76,522</u>	<u>76,522</u>	<u>76,618</u>	<u>(96)</u>
<b>TOTAL EXPENDITURES</b>	<b>1,812,257</b>	<b>2,080,520</b>	<b>1,929,325</b>	<b>151,195</b>
Excess (Deficit) of Revenues Over Expenditures	(109,017)	(98,530)	(12,476)	86,054
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	16,000	15,750	15,750	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>16,000</b>	<b>15,750</b>	<b>15,750</b>	<b>0</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(93,017)	(82,780)	3,274	86,054
Restricted Fund Balance, July 1, 2017	<u>93,017</u>	<u>74,892</u>	<u>74,892</u>	<u>0</u>
Restricted Fund Balance, June 30, 2018	\$0	(\$7,888)	\$78,166	\$86,054

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2018

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)				
TRS	\$0	\$0	\$0	\$0
CERS	<u>\$3,566,888</u>	<u>\$3,005,000</u>	<u>\$2,635,342</u>	<u>\$2,090,000</u>
Total	\$3,566,888	\$3,005,000	\$2,635,342	\$2,090,000
District's proportionate share of the net pension liability (asset)				
TRS	0	\$0	\$0	\$0
CERS	0.060938%	0.061032%	0.06129%	0.064419%
State's proportionate share of the net pension liability (asset) associated with the District				
TRS	\$27,960,599	\$31,914,987	\$26,674,904	\$23,805,933
District's covered employee payroll				
TRS	\$3,502,128	\$3,497,475	\$3,492,822	\$3,630,542
CERS	\$1,488,700	\$1,490,271	\$1,440,821	\$1,582,006
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll				
TRS	0	0	0	0
CERS	239.60%	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, 2018

	2018	2017	2016	2015	2014	2013
Contractually required contributions						
TRS	\$993,421	\$525,133	\$525,928	\$560,994	\$458,423	\$452,990
CERS	<u>\$206,975</u>	<u>\$173,396</u>	<u>\$183,002</u>	<u>\$254,593</u>	<u>\$282,148</u>	<u>\$341,434</u>
Total	\$1,200,396	\$698,529	\$708,930	\$815,587	\$740,571	\$794,424
Contributions in relation to the contractually required contribution						
TRS	\$993,421	\$525,133	\$525,928	\$560,994	\$458,423	\$452,990
CERS	<u>\$206,975</u>	<u>\$173,396</u>	<u>\$183,002</u>	<u>\$254,593</u>	<u>\$282,148</u>	<u>\$341,434</u>
Total	\$1,200,396	\$698,529	\$708,930	\$815,587	\$740,571	\$794,424
Contribution deficiency (excess)						
TRS	\$0	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0	\$0	\$0
District's covered employee payroll						
TRS	\$3,502,128	\$3,497,475	\$3,492,822	\$3,630,542	\$3,578,806	\$3,692,889
CERS	<u>\$1,488,700</u>	<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	\$4,990,828	\$4,962,308	\$4,933,643	\$5,212,548	\$5,456,838	\$5,527,379
Contributions as a percentage of covered employee payroll						
TRS	28.37%	15.01%	15.06%	15.45%	12.81%	12.27%
CERS	13.90%	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  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 For The Year Ended June 30, 2018

	2018
District's proportion of the net OPEB liability (asset)	
CERS	\$1,225,062
TRS - Medical Insurance	\$1,941,000
TRS - Life Insurance	<u>\$0</u>
Total	\$3,166,062
District's proportionate share of the net OPEB liability (asset)	
CERS	0.060938%
TRS - Medical Insurance	0.054426%
TRS - Life Insurance	0.000000%
Total	
State's proportionate share of the net OPEB liability (asset) associated with the District	
TRS - Medical Insurance	\$1,585,000
TRS - Life Insurance	<u>\$21,000</u>
Total	\$1,606,000
District's covered employee payroll	
TRS	\$3,502,128
CERS	<u>\$1,488,700</u>
Total	\$4,990,828
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	
CERS	82.29%
TRS - Medical Insurance	55.42%
TRS - Life Insurance	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	
CERS	52.40%
TRS - Medical Insurance	21.18%
TRS - Life Insurance	79.99%

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'S OPEB CONTRIBUTIONS  
 For The Year Ended June 30, 2018

	2018
Contractually required contributions	
CERS	\$77,866
TRS - Medical Insurance	\$77,101
TRS - Life Insurance	<u>\$0</u>
Total	\$154,967
Contributions in relation to the contractually required contribution	
CERS	\$77,866
TRS - Medical Insurance	\$77,101
TRS - Life Insurance	<u>\$0</u>
Total	\$154,967
Contribution deficiency (excess)	
CERS	\$0
TRS - Medical Insurance	\$0
TRS - Life Insurance	<u>\$0</u>
Total	\$0
District's covered employee payroll	
TRS	\$3,502,128
CERS	<u>\$1,488,700</u>
Total	\$4,990,828
Contributions as a percentage of covered employee payroll	
TRS	2.20%
CERS	5.23%

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, 2018

**PENSIONS**

**Changes of benefit terms**

TRS - none

CERS -none

**Changes of assumptions**

TRS - In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease.

CERS

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

**OPEB**

**Changes of benefit terms**

**TRS**

The following change was made to the assumptions as noted:

June 30, 2017 (Valuation Date: June 30, 2016)

MIF

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF

None

CERS - none

**Changes of assumptions**

TRS - none

CERS

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

The single discount rate changed from 6.89% to 5.84%.

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2018

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

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2018

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total
REVENUES				
From local sources				
Taxes	\$	\$259,428	\$	\$259,428
Intergovernmental-State	<u>74,998</u>	<u>414,280</u>		<u>489,278</u>
TOTAL REVENUES	74,998	673,708	0	748,706
EXPENDITURES				
Site Improvement				<u>0</u>
TOTAL EXPENDITURES	0	0	0	0
Excess (deficit) revenues over expenditures	74,998	673,708	0	748,706
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(74,998)</u>	<u>(680,312)</u>		<u>(755,310)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(74,998)	(680,312)	0	(755,310)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	(6,604)	0	(6,604)
Restricted Fund Balance, July 1, 2017	<u>0</u>	<u>6,604</u>	<u>80,219</u>	<u>86,823</u>
Restricted Fund Balance, June 30, 2018	\$0	\$0	\$80,219	\$80,219

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 As of June 30, 2018

	Williamstown High School	Williamstown Elementary School	Total
<b>ASSETS</b>			
Cash and equivalents	\$46,588	\$9,809	\$56,397
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$46,588</b>	<b>\$9,809</b>	<b>\$56,397</b>
<b>LIABILITIES</b>			
Accounts payable	\$573	\$0	\$573
Due to student groups	<u>46,015</u>	<u>9,809</u>	<u>55,824</u>
<b>TOTAL LIABILITIES</b>	<b>\$46,588</b>	<b>\$9,809</b>	<b>\$56,397</b>

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2018

	Cash Beginning	Receipts	Disbursements	Cash Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Williamstown High School	\$39,484	\$236,840	\$229,736	\$46,588	\$0	\$573	\$46,015
Williamstown Elementary School	<u>12,090</u>	<u>87,307</u>	<u>89,588</u>	<u>\$9,809</u>	—	—	<u>\$9,809</u>
Totals	\$51,574	\$324,147	\$319,324	\$56,397	\$0	\$573	\$55,824

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
WILLIAMSTOWN HIGH SCHOOL  
For The Year Ended June 30, 2018

	Cash Balances				Cash Balances	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
Archery	\$2,018	\$6,079	\$6,614	(300)	\$1,183	\$0	\$0	\$1,183
Sweep Account	0	81,923	82,608	685	0			0
FDM	411	1,175	919		667			667
Guidance	3				3			3
KJHS	16				16			16
FFA	1,373	17,459	18,860	36	8			8
Field Trip Trans.	1,018	6,657	4,438	41	3,278			3,278
SR High Volleyball	1,388	1,744	700		2,432			2,432
General	365	1,995	1,130	(694)	536			536
Project Graduation	686			(686)	0			0
Key Club	21	144	152		13			13
Chorus	975	8,121	8,472		624		473	151
Academics	214	1,332	7		1,539			1,539
NHS	812	450	332		930			930
Junior NHS	1,006				1,006			1,006
Track	1,211	1,385	1,256		1,340			1,340
Student Council	805	780	607		978			978
The Foundary	0	165			165			165
Athletics	1,808	27,764	30,117	2,471	1,926		100	1,826
Cross Country	4,558	2,024	3,336		3,246			3,246
FCCLA	771	3,489	2,488		1,772			1,772
AP Fees	483	564	935		112			112
SR KUNA	0	2,157	2,430	273	0			0
Gifted/Talented	606	288	568		326			326
FCS-Family Cons Sci	277	949	924	45	347			347
KYA	0	1,936	1,396		540			540
Band	1,382	348	767		963			963
Marching Band Fees	3,963	36,279	33,917	(80)	6,245			6,245
Drama	3,318	4,340	3,422		4,236			4,236
Beta	20	475	449		46			46
SRS 2017	959				959			959
SRS 2018	1,255	3,949	5,218	300	286			286
SRS 2019	1,273	6,988	3,832		4,429			4,429
SRS 2020	1,470				1,470			1,470
SRS 2021	80	3,898			3,978			3,978
SRS 2022	93				93			93
Athletic Concessions	4,435	11,635	13,674	(2,091)	305			305
Drink Commissions	411	348	168	0	591			591
TOTAL	\$39,484	\$236,840	\$229,736	0	\$46,588	\$0	\$573	\$46,015

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2018

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal 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 18	\$290,360
National School Lunch Program	10.555	7750002 17	61,347
Commodities	10.555	not provided	22,583
School Breakfast Program	10.553	7760005 18	89,540
School Breakfast Program	10.553	7760005 17	<u>19,337</u>
SubTotal Child Nutrition Cluster			483,167
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027 16	21,831
Child and Adult Care Food Program (CACFP)	10.558	7800016 17	1,371
Child and Adult Care Food Program (CACFP)	10.558	7790021 17	19,041
Child and Adult Care Food Program (CACFP)	10.558	7790021 18	<u>85,666</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>611,076</b>
 <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 17	168,572
Title I Grants to Local Educational Agencies	84.010	3100002 16	<u>60,727</u>
		subtotal	229,299
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 17	90,029
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 16	17,670
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 16	932
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 17	<u>243</u>
		subtotal	108,874
Title V - Rural and Low Income	84.358	3140002 17	9,933

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, 2018

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Supporting Effective Instruction State Grant	84.367	3230002 17	20,480
Supporting Effective Instruction State Grant	84.367	3230002 16	<u>9,526</u>
		subtotal	30,006
Passed through Kentucky Governor's Office of Early Childhood			
Race to the Top - Early Care and Education Childcare			
Provider Quality Improvement	84.412A	475DE	45,000
Passed through Walton Verona Independent Board of Education			
Carl D Perkins Career & Technical Education Act of	84.048	348D	5,396
Passed through Erlanger-Elsmere Independent Board of Education			
Title IV, Elementary School Counseling Program	84.215E	532D	<u>37,455</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			465,963
<b>Federal Direct</b>			
<b><u>U.S. Health and Human Services</u></b>			
Head Start			
Head Start	93.600	655D	722,731
Head Start	93.600	655C	<u>89,579</u>
Total Head Start			812,310
TOTAL U.S. HEALTH AND HUMAN SERVICES			812,310
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,889,349

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, 2018

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, 2018. 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 \$22,583.

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 21, 2018.

**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 September 21, 2018.

### **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  
September 21, 2018

**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 PROGRAM AND  
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, 2018. 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, 2018.

## **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  
September 21, 2018

WILLIAMSTOWN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2018

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>
10.553, 10.555	Child Nutrition Cluster

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, 2018

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

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

None were reported last year.

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, 2018 and have issued our report thereon dated September 21, 2018. 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: 2017-002, 2017-003, 2017-007,

The following items from last year's management letter points were not corrected: 2017-001, 2017-004, 2017-005, 2017-006 .

*Denise M. Keene, CPA*  
September 21, 2018

## CURRENT YEAR MANAGEMENT POINTS

2018-001

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 the past two years.**

Management's Response:

This past year the district had more bus repairs than we've had historically. One vendor who did significant work on our buses did go over the allotted \$20,000. Since bus repairs cannot be determined ahead of time, the district is now proactive in receiving bids from different vendors to work on buses. These bids have been board approved and we are now in compliance with Bid Law.

2018-002

Testing of credit card expenditures/payments for Head Start disclosed several issues. There was one expenditure that was paid from the credit card receipt. It did not have an original invoice or a purchase order. There were a couple of payments made without the original invoices attached to the purchase order. However, those invoices were later found and put with the purchase order. I recommend Head Start do a better job of putting the invoices with the purchase order prior to payment.

Management's Response:

The Director of Federal Programs will now sign off on all purchase orders prior to expenditures. In addition, invoices will be signed off before inputting them into MUNIS. This will ensure there is a purchase order for all invoices. Use of the credit card must be requested in advance and signed off on by the Director of Federal Programs.

## CURRENT YEAR MANAGEMENT POINTS

2018-003

Testing disclosed that food service is not doing purchase orders prior to ordering. There were thirteen (13) out of forty-six 46 food service expenditures tested with purchase order dates after the invoice date. Policy 04.31 states, "all purchases shall require the prior approval of the Superintendent or the Superintendent's designee. The food service director should approve purchase orders prior to ordering.

Management's Response:

The Superintendent and Finance Officer held a meeting with the food service director and explained the appropriate process for ordering. Food Service director was concerned with amounts on the invoice and purchase order matching. The finance officer explained her process in further detail. The food service director will be approving purchase orders prior to ordering

## WILLIAMSTOWN JR/SR HIGH SCHOOL

2018-004

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 the past two years.**

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.

## CURRENT YEAR MANAGEMENT POINTS

### WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)

2018-005

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 the past two years.**

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.

2018-006

According to the Redbook, "The Sales from Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17) is to be used each time money is collected from these activities and turned in with the money to the school treasurer." This form is not being used. I recommend the Principal remind all staff responsible for these activities to use Form F-SA-17 each time money is turned into the school treasurer.

Management's Response:

The treasurer and principal will inform all staff that they must complete "The Sales from Concessions/Bookstore/School Store/Pencil Machine Form" (Form F-SA\*17). The treasurer will ensure that necessary staff members complete the form when money is collected and turned in to the treasurer.

## **CURRENT YEAR MANAGEMENT POINTS**

### **WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)**

2018-007

According to the Redbook, "No transfers or reimbursements are allowed from the school activity fund to external support/booster organizations." External booster organizations exist to support a student group or program. The school activity account cannot make donations to an external booster organization. During the year the school activity account donated \$400.00 to the Athletic Booster organization. I recommend the Principal inform all sponsors that payments to a booster organization is not allowed.

Management's Response:

The principal will inform all sponsors that no transfers, reimbursements, or payments are allowed from school activity funds to external support/booster organizations. The treasurer will not permit such transactions.

2018-008

There were several problems with transfers during the year. Transfer form number 1 was not signed by anyone. Transfer form number 5 was for \$200.00 but was recorded as zero. Transfer form number 10 was not signed by the sponsor. I recommend the Principal monitor transfers for compliance and accuracy.

Management's Response:

The principal will monitor transfers for compliance and accuracy.

2018-009

During the year, a transfer was made from Project Graduation to the District Activity Account. Transfers were allowed to the District Activity Account during the year the District Activity Account was established. However, that time has past. Funds in the Project Graduation account should have been used for project graduation and not transferred out to the District. This transfer was not approved by anyone and should not have been done.

Management's Response

The treasurer will not transfer any money without approval from the principal. Transfers will not be permitted to the District Activity Account.:

## **CURRENT YEAR MANAGEMENT POINTS**

### **WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)**

2018-010

According to the Redbook, fundraisers where items are sold, whether they are purchased or donated or both, require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser sales cycle. Fundraiser Worksheets were not used during the year. I recommend sponsors/teachers be informed on the requirement of completing the Fundraiser Worksheet where items are sold.

Management's Response:

The principal and treasurer will ensure that sponsors complete the Fundraiser Worksheet where items are sold. Staff will be educated about the use of the Fundraiser Worksheet.

2018-011

According to the Redbook, "Fundraiser activities such as concessions, bookstores, pencil machines and other activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5)." The Inventory Control Worksheet was not completed during the year. I recommend the Principal inform sponsors of the Inventory Control Worksheet.

Management's Response:

The treasurer and principal will inform all staff that they must complete "The Inventory Control Worksheet" (Form F-SA-5). The treasurer will ensure that necessary staff members complete the form as needed throughout the year.

2018-012

According to the Redbook, either a vendor invoice or a standard invoice is required before a check can be issued. Testing disclosed one out of eighteen expenditures tested did not have either a vendor invoice or a standard invoice. I recommend the bookkeeper not issue a check without an invoice.

Management's Response:

The bookkeeper will not issue a check unless an invoice has been received.

## CURRENT YEAR MANAGEMENT POINTS

### WILLIAMSTOWN JR/SR HIGH SCHOOL (continued)

2018-013

The ticket sales form is not always being completed correctly. Testing noted that several forms did not have the section “checks, currency, coins” completed. The bookkeeper should review the form for completion prior to accepting the form.

Management’s Response:

The bookkeeper will review the ticket sales form to ensure that all sections are completed.

2018-014

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 the past two years.**

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.

### ELEMENTARY SCHOOL

2018-015

According to the Redbook, school activity funds cannot be used for operating expenses. Testing disclosed one out of eighteen expenditures tested was for operating expenses. I recommend the Principal not approve purchase orders for operating expenses.

Management’s Response:

Operating expenditures will be charged to the District Account. Principal will not approve the purchase order to the Activity Account, if it is for operating expenditures.

## **CURRENT YEAR MANAGEMENT POINTS**

### **ELEMENTARY SCHOOL**

2018-016

According to the Redbook, either a vendor invoice or a standard invoice is required before a check can be issued. Testing disclosed one out of eighteen expenditures tested did not have either a vendor invoice or a standard invoice. I recommend the bookkeeper not issue a check without an invoice.

Management's Response:

The bookkeeper will not issue a check without a standard or original invoice.

2018-017

According to the Redbook, pre-numbered tickets shall be used with all events for which admission is charged. Testing disclosed two events held during the year that charged admission. Neither used tickets or completed the ticket sale form as required. I recommend sponsors/teachers be informed that events where admission is charged requires the use of tickets and the completion of the ticket sale form.

Management's Response:

Sponsors/teachers will be informed that events where admission is charged will require the use of tickets and will complete a ticket sale form.

2018-018

According to the Redbook, fundraisers where items are sold, whether they are purchased or donated or both, require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser sales cycle. Fundraiser Worksheets were not used during the year. I recommend sponsors/teachers be informed on the requirement of completing the Fundraiser Worksheet where items are sold.

Management's Response:

Sponsors/teachers will be informed that all fundraisers where items are sold will require the completion of the Fundraiser Worksheet.