

**RACELAND-WORTHINGTON
INDEPENDENT SCHOOL DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
 BASIC FINANCIAL STATEMENTS:	
 Government-wide Financial Statements -	
Statement of Net Position.....	8
Statement of Activities	9
 Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Fund.....	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	15
Statement of Cash Flows - Proprietary Fund.....	16
Statement of Net Position - Fiduciary Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	19
Notes to Financial Statements.....	20-33
 SUPPLEMENTAL INFORMATION:	
 Combining Statements - Non-Major Funds -	
Combining Balance Sheet - Non-Major Governmental Funds.....	34
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Governmental Funds.....	35
Combining Balance Sheet - Non-Major Capital Project Funds.....	36
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Capital Project Funds.....	37
Combining Balance Sheet - Non-Major Debt Service Funds.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Debt Service Funds	39
 Other -	
Statement of Changes in Assets and Liabilities - School Activity Funds	40
Statement of Changes in Assets and Liabilities - Raceland-Worthington Independent High School.....	41-42
Schedule of Expenditures of Federal Awards	43-44

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	45-46
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	47-48
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	49-50
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	51



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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, 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 Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 7 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 Raceland-Worthington Independent School District's basic financial statements. The combining and individual non-major fund financial statements, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of Raceland-Worthington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley, Dalloway & Company, PSC

October 18, 2013

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Raceland-Worthington 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, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The District's total debt payments were \$449,208 during the current fiscal year.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. The District's top facility priority in its current plan of record is the construction of a new Worthington Elementary building. The District's Superintendent is working with state government personnel to obtain funding for the project. The award notifications of this funding are scheduled within the next year.
- State funding for local school districts continues to be a concern. Funding from the state for facilities and day to day operations both need to be increased to ensure the best education for students in a safe and inviting setting.
- The General Fund had approximately \$7.2 million in revenue, which primarily consisted of the state program (SEEK), property, franchise, and motor vehicle taxes. Excluding inter-fund transfers, there were approximately \$6.9 million in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements: The government-wide financial statements 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-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. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 8 and 9 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 only proprietary fund is our vending and 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 10 - 19 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.1 million as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are 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.

GOVERNMENT-WIDE BASIS

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$ 701,237	\$ 480,609
Noncurrent Assets	13,191,706	13,648,469
Total Assets	<u>\$ 13,892,943</u>	<u>\$ 14,129,078</u>
Current Liabilities	\$ 582,503	\$ 640,528
Noncurrent Liabilities	8,221,725	8,417,509
Total Liabilities	<u>8,804,228</u>	<u>9,058,037</u>
Net Position		
Investment in capital assets (net of debt)	5,121,619	5,131,129
Restricted	150,009	162,692
Unrestricted	(182,913)	(222,780)
Total Net Position	<u>\$ 5,088,715</u>	<u>\$ 5,071,041</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2013 and 2012, respectively:

	2013 <u>Amount</u>	2012 <u>Amount</u>
Revenues:		
Local revenue sources	\$ 1,698,535	\$ 2,300,013
State revenue sources	6,745,664	6,299,025
Indirect Federal sources	803,291	796,077
Other revenues	101,184	64,670
Interest income	<u>5,040</u>	<u>6,333</u>
Total revenues	<u>9,353,714</u>	<u>9,466,118</u>
Expenses:		
Instruction	5,089,398	5,441,578
Student Support Services	201,204	178,708
Instructional Support	404,463	535,133
District Administration	467,082	509,999
School Administration	496,857	498,118
Business Support	273,868	219,014
Plant Operations	1,074,112	976,447
Student Transportation	283,731	328,321
Community Services	70,010	70,312
Food Service Operations	483,931	501,831
Debt service	<u>241,469</u>	<u>353,491</u>
Total expenses before KSBIT	9,086,125	9,612,952
Extraordinary item –KSBIT	<u>249,915</u>	<u>-</u>
Total expenses	<u>9,336,040</u>	<u>9,612,952</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 17,674</u>	<u>\$ (146,834)</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2013 and 2012, net of inter-fund transfers and bond proceeds, were \$8.8 million and \$8.9 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$7.9 million and \$8.4 million, net of debt service and facilities construction for the fiscal years ended June 30, 2013 and 2012, respectively.

Comments on Budget Comparisons

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenue balance being approximately \$157,000 more than budget. This budget variance is due primarily to an increase in property tax revenue from the one-time collection of 2011 disputed franchise tax.
- For fiscal year 2013 the carryover from previous years was used to cover expenditures to enhance the total educational program for our students and community. The remaining carryover monies are retained by the District to maintain financial security for the District.

FUTURE 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 calendar but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget for 2013 with \$154,494 in contingency (2%). The Governmental Funds beginning cash balance for beginning the fiscal year is \$339,892. There was no significant Board action that impacted the finances during the current year.

Questions regarding this report should be directed to Superintendent Larry Coldiron (606) 836-2144 or to Finance Officer, Mary S. Johnson (606) 836-7218 or by mail at 600 Ram Boulevard, Raceland, Kentucky 41169.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 410,395	\$ 103,128	\$ 513,523
Receivables (net of allowances for uncollectibles):			
Taxes	65,625	-	65,625
Other	119	-	119
Intergovernmental - federal	77,880	20,075	97,955
Inventories	-	24,015	24,015
Deferred bond costs	206,545	-	206,545
Capital assets, not being depreciated	625,213	-	625,213
Capital assets, being depreciated, net	12,331,427	28,521	12,359,948
Total assets	13,717,204	175,739	13,892,943
Liabilities			
Cash overdraft	70,503	-	70,503
Accounts payable	974	-	974
Deferred revenue	7,377	-	7,377
Portion due or payable within one year:			
Debt obligations	455,431	-	455,431
Accrued interest	48,218	-	48,218
Noncurrent liabilities:			
KSBIT payable			
Portion due or payable after one year:	249,915	-	249,915
Debt obligations	7,408,111	-	7,408,111
Accrued sick leave	563,699	-	563,699
Total liabilities	8,804,228	-	8,804,228
Net Position			
Invested in capital assets, net of related debt	5,093,098	28,521	5,121,619
Restricted for:			
Capital projects	-	-	-
Debt service	2,791	-	2,791
Other	-	147,218	147,218
Unrestricted	(182,913)	-	(182,913)
Total net position	\$ 4,912,976	\$ 175,739	\$ 5,088,715

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 5,089,398	\$ -	\$ 817,673	\$ -	\$ (4,271,725)	\$ -	\$ (4,271,725)
Support services:							
Students	201,204	-	-	-	(201,204)	-	(201,204)
Instructional staff	404,463	-	14,887	-	(389,576)	-	(389,576)
District administration	467,082	-	-	-	(467,082)	-	(467,082)
School administration	496,857	-	-	-	(496,857)	-	(496,857)
Business and other support services	273,868	-	-	-	(273,868)	-	(273,868)
Operation and maintenance of plant	1,074,112	-	28,500	-	(1,045,612)	-	(1,045,612)
Student transportation	283,731	-	-	-	(283,731)	-	(283,731)
Community services	70,010	-	70,010	-	-	-	-
Debt service - interest	241,469	-	-	627,714	386,245	-	386,245
Total governmental activities	<u>8,602,194</u>	<u>-</u>	<u>931,070</u>	<u>627,714</u>	<u>(7,043,410)</u>	<u>-</u>	<u>(7,043,410)</u>
Business-type activities:							
Food service	483,931	186,025	283,764	-	-	(14,142)	(14,142)
Total business-type activities	<u>483,931</u>	<u>186,025</u>	<u>283,764</u>	<u>-</u>	<u>-</u>	<u>(14,142)</u>	<u>(14,142)</u>
Total primary government	<u>\$ 9,086,125</u>	<u>\$ 186,025</u>	<u>\$ 1,214,834</u>	<u>\$ 627,714</u>	<u>\$ (7,043,410)</u>	<u>\$ (14,142)</u>	<u>\$ (7,057,552)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,349,090	\$ -	\$ 1,349,090
Motor vehicle					163,420	-	163,420
Intergovernmental revenues:							
State					5,706,407	-	5,706,407
Investment earnings					4,138	902	5,040
Other local revenues					101,184	-	101,184
Total general revenues					<u>7,324,239</u>	<u>902</u>	<u>7,325,141</u>
Extraordinary item - KSBIT assessment (Note 9)					<u>(249,915)</u>	<u>-</u>	<u>(249,915)</u>
Change in net position					30,914	(13,240)	17,674
Net position, June 30, 2012					<u>4,882,062</u>	<u>188,979</u>	<u>5,071,041</u>
Net position, June 30, 2013					<u>\$ 4,912,976</u>	<u>\$ 175,739</u>	<u>\$ 5,088,715</u>

The accompanying notes to the financial statements are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 407,604	\$ -	\$ 2,791	\$ 410,395
Receivables (net of allowances for uncollectibles):				
Property taxes	65,625	-	-	65,625
Other	119	-	-	119
Intergovernmental - federal	-	77,880	-	77,880
Total assets	<u>\$ 473,348</u>	<u>\$ 77,880</u>	<u>\$ 2,791</u>	<u>\$ 554,019</u>
Liabilities and Fund Balances				
Liabilities:				
Cash overdraft	\$ -	\$ 70,503	\$ -	\$ 70,503
Accounts payable	974	-	-	974
Deferred revenue	-	7,377	-	7,377
Total liabilities	<u>974</u>	<u>77,880</u>	<u>-</u>	<u>78,854</u>
Fund balances:				
Restricted for accrued sick leave	87,244	-	-	87,244
Restricted for capital expenditures	-	-	-	-
Restricted for debt service	-	-	2,791	2,791
Unassigned	385,130	-	-	385,130
Total fund balances	<u>472,374</u>	<u>-</u>	<u>2,791</u>	<u>475,165</u>
Total liabilities and fund balances	<u>\$ 473,348</u>	<u>\$ 77,880</u>	<u>\$ 2,791</u>	<u>\$ 554,019</u>

The accompanying notes to the financial statements
are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund balances—total governmental funds	\$	475,165
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,956,640
Bond issuance costs are not financial resources and therefore are not reported in the governmental funds financial statements.		206,545
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.		
Bonds payable	(7,863,542)	
Accrued sick leave	(563,699)	
KSBIT payable	(249,915)	
Accrued interest	(48,218)	
		(8,725,374)
Net position of governmental activities	\$	4,912,976

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes -				
Property	\$ 1,269,408	\$ -	\$ 79,682	\$ 1,349,090
Motor vehicles	152,554	-	10,866	163,420
Tuition and fees	53,441	-	-	53,441
Interest income	4,117	-	21	4,138
Other local revenues	9,331	38,412	-	47,743
Intergovernmental - State	5,706,407	411,543	627,714	6,745,664
Intergovernmental - Indirect federal	-	519,527	-	519,527
Total revenues	<u>7,195,258</u>	<u>969,482</u>	<u>718,283</u>	<u>8,883,023</u>
Expenditures:				
Current:				
Instruction	4,186,218	871,387	-	5,057,605
Support services:				
Students	215,329	-	-	215,329
Instructional staff	388,328	14,887	-	403,215
District administration	458,503	-	-	458,503
School administration	495,905	-	-	495,905
Business and other support services	272,923	-	-	272,923
Operation and maintenance of plant	663,308	28,500	-	691,808
Student transportation	253,415	-	-	253,415
Community services	-	70,010	-	70,010
Debt service	10,190	-	688,564	698,754
Total expenditures	<u>6,944,119</u>	<u>984,784</u>	<u>688,564</u>	<u>8,617,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>251,139</u>	<u>(15,302)</u>	<u>29,719</u>	<u>265,556</u>
Other financing sources (uses):				
Transfers in	34,296	15,302	408,030	457,628
Transfers out	(15,302)	-	(442,326)	(457,628)
Total other financing sources and uses	<u>18,994</u>	<u>15,302</u>	<u>(34,296)</u>	<u>-</u>
Net change in fund balances	270,133	-	(4,577)	265,556
Fund balances, June 30, 2012	<u>202,241</u>	<u>-</u>	<u>7,368</u>	<u>209,609</u>
Fund balances, June 30, 2013	<u>\$ 472,374</u>	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ 475,165</u>

The accompanying notes to the financial statements
are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances—total governmental funds \$ 265,556

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	16,173	
Depreciation expense	<u>(459,105)</u>	(442,932)

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

Long-term portion of accrued sick leave		920
Amortization of bond issuance costs		(8,697)
Amortization of bond discount		(10,652)
Change in accrued interest		27,426
KSBIT payable		(249,915)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.

		<u>449,208</u>
Change in net position of governmental activities		<u>\$ 30,914</u>

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 103,128
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	20,075
Inventories	24,015
Total current assets	<u>147,218</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	28,521
Total noncurrent assets	<u>28,521</u>
Total assets	<u><u>\$ 175,739</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Invested in capital assets	28,521
Restricted	147,218
Total net position	<u>175,739</u>
Total liabilities and net position	<u><u>\$ 175,739</u></u>

The accompanying notes to the financial statements
are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 186,025
Total operating revenues	<u>186,025</u>
Operating expenses:	
Salaries and wages	133,504
Employee benefits	49,144
Contract services	17,092
Materials and supplies	278,896
Depreciation	5,134
Other operating expenses	161
Total operating expenses	<u>483,931</u>
Operating loss	<u>(297,906)</u>
Nonoperating revenues :	
Federal grants	223,598
Investment income	902
On-behalf payments	22,349
Donated commodities	32,770
State grants	5,047
Total nonoperating revenue	<u>284,666</u>
Decrease in net position	(13,240)
Net position, June 30, 2012	<u>188,979</u>
Net position, June 30, 2013	<u>\$ 175,739</u>

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 186,025
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(287,277)
Payments to employees	(133,504)
Other payments	(161)
Net cash used for operating activities	<u>(234,917)</u>
 Cash flows from noncapital financing activities:	
Government grants	<u>208,590</u>
Net cash provided by noncapital and related financing activities	<u>208,590</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>-</u>
Net cash used for capital and related financing activities	<u>-</u>
 Cash flows from investing activities:	
Interest received on investments	<u>902</u>
Net cash provided by investing activities	<u>902</u>
 Net decrease in cash and cash equivalents	(25,425)
 Cash and cash equivalents, June 30, 2012	<u>128,553</u>
 Cash and cash equivalents, June 30, 2013	<u>\$ 103,128</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (297,906)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	5,134
On-behalf payments	22,349
Donated commodities	32,770
Change in assets and liabilities:	
Inventory	2,736
Accounts Payable	<u>-</u>
 Net cash used for operating activities	<u>\$ (234,917)</u>
 Non-cash items:	
Donated commodities	\$ 32,770
On-behalf payments	22,349

The accompanying notes to the financial statements
are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 179,819
Accounts receivable	962
Total assets	180,781
Liabilities	
Accounts payable	3,255
Due to students	177,526
Total liabilities	180,781
Net position held in trust	\$ -

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 1,155,697	\$ 1,155,697	\$ 1,269,408	\$ 113,711
Motor vehicles	132,000	132,000	152,554	20,554
Tuition and fees	42,000	42,000	53,441	11,441
Interest income	2,000	2,000	4,117	2,117
Other local revenues	2,000	2,000	9,331	7,331
Intergovernmental - State	4,351,403	5,704,520	5,706,407	1,887
Total revenues	<u>5,685,100</u>	<u>7,038,217</u>	<u>7,195,258</u>	<u>157,041</u>
Expenditures:				
Current:				
Instruction	3,224,713	4,202,458	4,186,218	16,240
Support services:				
Students	192,031	217,679	215,329	2,350
Instructional staff	305,515	391,226	388,328	2,898
General administration	380,036	461,182	458,503	2,679
School administration	431,040	501,433	495,905	5,528
Business and other support services	180,485	273,096	272,923	173
Operation and maintenance of plant	641,170	640,484	663,308	(22,824)
Student transportation	280,634	297,832	253,415	44,417
Debt service	10,200	10,200	10,190	10
Contingency	129,663	222,271	-	222,271
Total expenditures	<u>5,775,487</u>	<u>7,217,861</u>	<u>6,944,119</u>	<u>273,742</u>
Excess (deficiency) of revenues over expenditures	<u>(90,387)</u>	<u>(179,644)</u>	<u>251,139</u>	<u>430,783</u>
Other financing sources (uses):				
Transfers in	-	34,296	34,296	-
Transfers out	(12,415)	(15,302)	(15,302)	-
Total other financing sources and uses	<u>(12,415)</u>	<u>18,994</u>	<u>18,994</u>	<u>-</u>
Net change in fund balances	(102,802)	(160,650)	270,133	430,783
Fund balances, June 30, 2012	<u>102,802</u>	<u>160,650</u>	<u>202,241</u>	<u>41,591</u>
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,374</u>	<u>\$ 472,374</u>

The accompanying notes to the financial statements
are an integral part of this statement.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local revenues	\$ 8,000	\$ 32,953	\$ 38,412	\$ 5,459
Intergovernmental - State	371,471	396,626	411,543	14,917
Intergovernmental - Indirect federal	501,729	493,400	519,527	26,127
Total revenues	<u>881,200</u>	<u>922,979</u>	<u>969,482</u>	<u>46,503</u>
Expenditures:				
Current:				
Instruction	812,821	833,597	871,387	(37,790)
Support services:				
Instructional staff	10,959	11,135	14,887	(3,752)
Operation and maintenance of plant	-	23,500	28,500	(5,000)
Community services	69,835	70,049	70,010	39
Total expenditures	<u>893,615</u>	<u>938,281</u>	<u>984,784</u>	<u>(46,503)</u>
Excess (deficiency) of revenues over expenditures	<u>(12,415)</u>	<u>(15,302)</u>	<u>(15,302)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	12,415	15,302	15,302	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>12,415</u>	<u>15,302</u>	<u>15,302</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the financial statements
are an integral part of this statement.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(1) REPORTING ENTITY

The Raceland-Worthington 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 Raceland-Worthington Independent School District (District). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not 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 District, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Raceland-Worthington Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 600 Ram Boulevard, Raceland, Kentucky 41169.

Raceland-Worthington Independent School District Finance Corporation

On January 2, 1990, Raceland-Worthington Independent Board of Education resolved to authorize the establishment of the Raceland-Worthington 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 Raceland-Worthington Independent Board of Education also comprise the Corporation's Board of Directors.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities.

They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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 - provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. The proprietary fund 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 is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused 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.

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the 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 School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund (Enterprise Fund)

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

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Funds account 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*.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, 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 use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a

reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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.

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

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. Allocation of costs, such as depreciation, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2013 fiscal year was based was \$155,509,960.

The tax rates assessed for the year ended June 30, 2013 to finance general fund operations were \$.874 on real estate and \$.874 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2013 were 87.19% of the tax levy.

In-Kind

Local contributions, which include contributed services provided by individuals, private Districts and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 6 months or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These

assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. 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, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	5-12 years
Furniture and fixtures	7 years
Other general	7-11 years

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.

Budgetary Process

The District is required by state law to adopt annual budgets. Each budget is presented on the modified accrual basis of accounting which is consistent with the fund financial statement presentation. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund 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, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the District's policy to use committed and assigned resources first, then unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 School 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 fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the District was not required to change the reporting of current or past transactions.

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the computation of equity on the Statement of Net Position was changed and equity was retitled as "net position".

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenses. The District has not completed the process of the evaluation of GASB No. 65; however, the District does expect it to have an impact on its future financial statements.

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multiple-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share of the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the balance sheets of the governmental funds. Additional note disclosures and required supplementary information (RSI) also are addressed in the standard. Kentucky Department of Education will be working with KTRS and Kentucky Retirement Systems in the months ahead to provide guidance for the implementation issues facing school districts. The standard is effective for fiscal year ending June 30, 2015.

(3) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Greenup County Fiscal Court and the Raceland-Worthington Independent School District Finance Corporation ("RWISDFC"), aggregating \$11,910,249.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the RWISDFC to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1999 KISTA	\$ 379,000	4.20-5.45%
Issue of 2003	3,195,000	1.00-4.10%
Issue of 2005	1,900,000	3.10-4.20%
2009 KISTA	86,249	2.00-3.90%
Issue of 2011	2,495,000	2.00-4.00%
Issue of 2011B	1,575,000	1.58-4.00%
Issue of 2012	2,280,000	1.05-2.25%
	<u>\$ 11,910,249</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2013</u>
General obligation and KISTA bonds - \$11,910,249 originally issued with interest rates ranging from 1.00% to 5.45%	\$ 8,419,716	\$ -	\$ (449,208)	\$ 7,970,508
Less: unamortized discount on bond issues	(117,618)	-	10,652	(106,966)
KSBIT payable	-	249,915	-	249,915
Accumulated unpaid sick leave benefits	564,619	-	(920)	563,699
	<u>\$ 8,866,717</u>	<u>\$ 249,915</u>	<u>\$ (439,476)</u>	<u>\$ 8,677,156</u>

In connection with the bond issues, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Raceland-Worthington Independent School District		Total
	Principal	Interest	Principal	Interest	
2014	\$ 202,468	\$ 115,271	\$ 252,963	\$ 209,068	\$ 779,770
2015	207,698	73,073	260,019	162,705	703,495
2016	211,381	68,598	267,591	157,116	704,686
2017	217,733	63,670	272,525	150,905	704,833
2018	221,841	58,403	274,081	144,312	698,637
2019-2023	1,059,969	201,017	1,472,239	595,358	3,328,583
2024-2028	485,552	75,418	1,559,448	333,987	2,454,405
2029-2031	170,319	10,144	834,681	50,755	1,065,899
	<u>\$ 2,776,961</u>	<u>\$ 665,594</u>	<u>\$ 5,193,547</u>	<u>\$ 1,804,206</u>	<u>\$ 10,440,308</u>

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability would be \$249,915. Members will have the option of making a lump-sum payment of their assessment or to take advantage of bond financing for up to 20 years. This plan is still subject to approval and no payment is estimated for the year ending June 30, 2014. The District has recorded this estimated amount in their long-term obligations since ultimate payment is probable and is included as an extraordinary item on the Statement of Activities.

(4) 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, 2013, the District followed the vesting method of calculation and the assumption that all vested employees with ten years of experience will retire from the District. Accordingly, a liability of \$563,699 is shown in the June 30, 2013 government-wide financial statements. The District has the option of funding up to 50% of the total amount accrued as a reservation of the General Fund balance. At June 30, 2013, the District had restricted \$87,244 for sick leave payout.

(5) RETIREMENT PLANS

A. Kentucky Teachers Retirement System:

The Raceland-Worthington Independent School District contributes to the Teachers’ Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <https://kyret.ky.gov>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

The payroll for employees covered under KTRS was \$4,290,166. For the years ended June 30, 2013, 2012, and 2011, the Commonwealth of Kentucky contributed \$555,046, \$566,260, and \$458,506, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2013, 2012, and 2011 were \$92,423, \$55,798, and \$79,820, respectively, which represents those employees covered by Federal programs.

B. Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

C. County Employee's Retirement System:

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It 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 CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The 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 from the KRS website at <https://kyret.ky.gov>.

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 19.55% of the employee's total compensation. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The payroll for employees covered under CERS was \$875,015. The District's contributions to CERS for the years ending June 30, 2013, 2012, and 2011 were \$171,065, \$196,255, and \$195,138, respectively, equal to the required contributions for the year.

(6) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2013, the carrying amount of the Board's cash and cash equivalents was \$622,839 and the bank balances totaled \$979,242. Of the total bank balances, \$437,063 was insured by the Bank Insurance Fund and \$542,179 was secured by collateral held by the pledging banks in, the District's name.

General Fund cash and cash equivalents at June 30, 2013 consisted of a money market checking account.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risks are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's cash deposits are classified as Category 2.

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

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Land	\$ 625,213	\$ -	\$ -	\$ 625,213
Land improvements	684,801	-	-	684,801
Buildings and improvements	16,432,742	-	-	16,432,742
Technology equipment	562,717	-	-	562,717
Vehicles	670,288	-	-	670,288
General	574,636	16,173	-	590,809
Totals at historical cost	<u>19,550,397</u>	<u>16,173</u>	<u>-</u>	<u>19,566,570</u>
Less: accumulated depreciation -				
Land improvements	(458,351)	(22,117)	-	(480,468)
Buildings and improvements	(4,250,697)	(353,012)	-	(4,603,709)
Technology equipment	(497,101)	(22,410)	-	(519,511)
Vehicles	(512,944)	(34,256)	-	(547,200)
General	(431,732)	(27,310)	-	(459,042)
Total accumulated depreciation	<u>(6,150,825)</u>	<u>(459,105)</u>	<u>-</u>	<u>(6,609,930)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 13,399,572</u>	<u>\$ (442,932)</u>	<u>\$ -</u>	<u>\$ 12,956,640</u>
<u>Business - Type Activities</u>				
Food service equipment	\$ 211,050	\$ -	\$ -	\$ 211,050
Technology equipment	12,915	-	-	12,915
Totals at historical cost	<u>223,965</u>	<u>-</u>	<u>-</u>	<u>223,965</u>
Less: accumulated depreciation				
Food service and equipment	(183,574)	(357)	-	(183,931)
Technology equipment	(6,736)	(4,777)	-	(11,513)
Total accumulated depreciation	<u>(190,310)</u>	<u>(5,134)</u>	<u>-</u>	<u>(195,444)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 33,655</u>	<u>\$ (5,134)</u>	<u>\$ -</u>	<u>\$ 28,521</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 32,713
Student support services	2,048
Instructional staff	1,248
District administration	8,579
School administration	952
Business support services	945
Plant operation & maintenance	382,304
Student transportation	30,316
	<u>\$ 459,105</u>

(8) CONTINGENCIES

The District receives funding from Federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the 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.

(9) 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 participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claim payments. Under the novation method, the District’s liability would be \$249,915. Members will have the option of making a lump-sum payment of their assessment or to take advantage of bond financing for up to 20 years. This plan is still subject to approval and no payment is estimated for the year ending June 30, 2014.

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.

(10) COBRA

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

(11) ON-BEHALF PAYMENTS

For fiscal year 2013, the Commonwealth of Kentucky contributed payments on behalf of the Raceland-Worthington Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 555,046
Health and Life Insurance Plans	775,243
Technology	42,950
Debt Service	275,936
	<u>\$ 1,649,175</u>

With the exception of the amount for debt service, these amounts are included in the Government-wide statement of activities and the Governmental Fund statement of revenues, expenditures, and changes in fund balances as state revenues and expenses allocated to the different functions in the same proportion as full-time employees.

(12) TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	Capital Project Fund (FSPK and SEEK)	Debt Service Fund	Debt Service	\$ 408,030
Operating	General Fund	Special Revenue Fund	Match	15,302
Operating	Capital Project Fund (FSPK and SEEK)	General Fund	Capital Funds Request/ Reimbursement	34,296

SUPPLEMENTAL INFORMATION

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ -	\$ 2,791	\$ 2,791
Accounts receivable	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ 2,791</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for capital expenditures	-	-	-
Restricted for debt service	<u>-</u>	<u>2,791</u>	<u>2,791</u>
Total fund balance	<u>-</u>	<u>2,791</u>	<u>2,791</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ 2,791</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 79,682	\$ -	\$ 79,682
Motor vehicle taxes	10,866	-	10,866
Earnings on investments	-	21	21
Intergovernmental - State	351,778	275,936	627,714
Total revenues	<u>442,326</u>	<u>275,957</u>	<u>718,283</u>
EXPENDITURES:			
Current -			
Facilities acquisition and construction	-	-	-
Debt service	-	688,564	688,564
Total expenditures	<u>-</u>	<u>688,564</u>	<u>688,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>442,326</u>	<u>(412,607)</u>	<u>29,719</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	408,030	408,030
Operating transfers out	(442,326)	-	(442,326)
Total other financing sources (uses)	<u>(442,326)</u>	<u>408,030</u>	<u>(34,296)</u>
NET CHANGE IN FUND BALANCES	-	(4,577)	(4,577)
FUND BALANCE JUNE 30, 2012	<u>-</u>	<u>7,368</u>	<u>7,368</u>
FUND BALANCE JUNE 30, 2013	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ 2,791</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	FSPK Fund	SEEK Funds	Construction Fund	Total Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for capital expenditures	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	FSPK Fund	SEEK Funds	Construction Fund	Total Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ 79,682	\$ -	\$ -	\$ 79,682
Motor vehicle taxes	10,866	-	-	10,866
Earnings on investments	-	-	-	-
Intergovernmental - State	256,140	95,638	-	351,778
Total revenues	<u>346,688</u>	<u>95,638</u>	<u>-</u>	<u>442,326</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>346,688</u>	<u>95,638</u>	<u>-</u>	<u>442,326</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(346,688)	(95,638)	-	(442,326)
Total other financing sources (uses)	<u>(346,688)</u>	<u>(95,638)</u>	<u>-</u>	<u>(442,326)</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE JUNE 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	1998 Bond Fund	2003 Bond Fund	2005 Bond Fund	2010 Bond Fund	2010B Bond Fund	2012 Bond Fund	KISTA Bond Fund	Totals Debt Service Funds
ASSETS:								
Cash and cash equivalents	\$ 1,227	\$ 1,009	\$ 431	\$ 28	\$ 86	\$ 10	\$ -	\$ 2,791
Total assets	<u>\$ 1,227</u>	<u>\$ 1,009</u>	<u>\$ 431</u>	<u>\$ 28</u>	<u>\$ 86</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 2,791</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Restricted for debt service	1,227	1,009	431	28	86	10	-	2,791
Total fund balance	<u>1,227</u>	<u>1,009</u>	<u>431</u>	<u>28</u>	<u>86</u>	<u>10</u>	<u>-</u>	<u>2,791</u>
Total liabilities and fund balances	<u>\$ 1,227</u>	<u>\$ 1,009</u>	<u>\$ 431</u>	<u>\$ 28</u>	<u>\$ 86</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 2,791</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013**

	1998 Bond Fund	2003 Bond Fund	2005 Bond Fund	2010 Bond Fund	2010B Bond Fund	2012 Bond Fund	KISTA Bond Fund	Totals Debt Service Funds
REVENUES:								
Intergovernmental - State	\$ -	\$ 87,805	\$ 43,245	\$ 46,294	\$ 31,011	\$ 37,211	\$ 30,370	\$ 275,936
Interest income	1	5	6	3	1	5	-	21
Total revenues	<u>1</u>	<u>87,810</u>	<u>43,251</u>	<u>46,297</u>	<u>31,012</u>	<u>37,216</u>	<u>30,370</u>	<u>275,957</u>
EXPENDITURES:								
Debt service	-	177,758	164,050	167,500	81,103	67,783	30,370	688,564
Total expenditures	<u>-</u>	<u>177,758</u>	<u>164,050</u>	<u>167,500</u>	<u>81,103</u>	<u>67,783</u>	<u>30,370</u>	<u>688,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1</u>	<u>(89,948)</u>	<u>(120,799)</u>	<u>(121,203)</u>	<u>(50,091)</u>	<u>(30,567)</u>	<u>-</u>	<u>(412,607)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	89,952	120,805	121,206	50,092	25,975	-	408,030
Total other financing sources (uses)	<u>-</u>	<u>89,952</u>	<u>120,805</u>	<u>121,206</u>	<u>50,092</u>	<u>25,975</u>	<u>-</u>	<u>408,030</u>
NET CHANGE IN FUND BALANCES	1	4	6	3	1	(4,592)	-	(4,577)
FUND BALANCE JUNE 30, 2012	<u>1,226</u>	<u>\$ 1,005</u>	<u>425</u>	<u>25</u>	<u>85</u>	<u>4,602</u>	<u>-</u>	<u>7,368</u>
FUND BALANCE JUNE 30, 2013	<u>\$ 1,227</u>	<u>\$ 1,009</u>	<u>\$ 431</u>	<u>\$ 28</u>	<u>\$ 86</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 2,791</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	Receipts	Disbursements	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2013
Raceland-Worthington Independent High School	\$ 138,769	\$ 427,558	\$ 417,472	\$ 148,855	\$ 962	\$ (3,255)	\$ 146,562
Campbell Elementary	34,137	37,813	48,208	23,742	-	-	23,742
Worthington Elementary	9,553	19,409	21,740	7,222	-	-	7,222
	<u>\$ 182,459</u>	<u>\$ 484,780</u>	<u>\$ 487,420</u>	<u>\$ 179,819</u>	<u>\$ 962</u>	<u>\$ (3,255)</u>	<u>\$ 177,526</u>

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
RACELAND-WORTHINGTON INDEPENDENT HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance June 30, 2012	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2013	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2013
7th & 8th Schedule	\$ -	\$ 3,611	\$ 36	\$ (3,198)	\$ 377	\$ -	\$ 377
All "A" Classic	587	13,785	9,987	(4,385)	-	-	-
All "A" Classic	531	5,385	1,988	(3,928)	-	-	-
AP Account	288	240	238	-	290	-	290
Archery Club	3,522	355	2,956	-	921	-	921
Art Account	1,625	20	217	(905)	523	-	523
Arts/Music Scholarship	398	-	-	-	398	-	398
Athletic Allotment	21	6,060	325	(5,330)	426	-	426
Athletic Director	65	243	136	18	190	-	190
B Basketball Fund R.	2,674	5,105	17,097	11,219	1,901	-	1,901
Band	8	2,132	4,730	3,969	1,379	-	1,379
Band Booster	2,926	29,882	26,438	(2,352)	4,018	-	4,018
Baseball	3,206	5,328	7,895	800	1,439	-	1,439
Baseball Field	26	1,000	1,077	51	-	-	-
Baseball Fundraisers	13,349	20,549	25,762	687	8,823	-	8,823
Baseball Spring Trip	1,391	-	-	1,200	2,591	-	2,591
Beta/FBLA/Key Clubs	-	3,655	2,361	(1,200)	94	-	94
Boys Basketball	2,216	17,417	17,977	786	2,442	-	2,442
Boys Basketball	270	232	-	(270)	232	-	232
Boys Basketball Camp	-	15,418	4,096	1,935	13,257	(1,132)	12,125
Boys Golf	675	2,295	2,462	-	508	-	508
Boys Track & Field	-	-	775	775	-	-	-
Boys Track Fundraiser	81	4,154	4,183	-	52	-	52
Calculator Batteries	823	-	380	701	1,144	-	1,144
Cash-Tickets	-	1,870	1,870	-	-	-	-
Chorus	1,674	8,870	5,883	746	5,407	(2,123)	3,284
College Course	2,559	8,356	4,696	96	6,315	-	6,315
Computer Classes	2,211	-	961	504	1,754	-	1,754
Credit Recovery	62	3,293	1,525	407	2,237	-	2,237
Cross-Country	-	6,060	6,666	977	371	-	371
Cultural Arts Center	2,652	4,359	6,958	293	346	-	346
Drama Club	1,566	944	490	251	2,271	-	2,271
Eighth Grade Class	1,194	-	-	(64)	1,130	-	1,130
FBLA	1,893	5,743	6,968	795	1,463	-	1,463
FCA	40	-	-	-	40	-	40
FHA/FCCLA	3,257	-	399	-	2,858	-	2,858
Field Trip	-	246	350	104	-	-	-
Flower Fund	-	169	136	(20)	13	-	13
Football	7,363	31,793	34,838	870	5,188	-	5,188
Football Coaches	41	-	-	-	41	-	41
Football Fundraiser	88	-	-	200	288	-	288
Freshman Class	1,904	-	-	(121)	1,783	-	1,783
Freshman Schedule	-	3,580	-	(3,422)	158	-	158
Girls Basketball	2,920	6,397	6,000	(800)	2,517	-	2,517
Girls BB Fundraisers	486	1,880	8,121	9,520	3,765	-	3,765
Girls Golf	275	80	867	512	-	-	-
Girls Roundball	317	5,417	2,679	-	3,055	-	3,055
Girls Softball	3,208	2,799	4,286	(436)	1,285	-	1,285
Girls Track & Field	-	74	1,768	1,694	-	-	-
Girls Volleyball	37	8,133	6,762	-	1,408	-	1,408
Greenhouse	-	-	-	500	500	-	500
Group Fundraiser	265	-	-	-	265	-	265
Home Economics	1,047	587	1,036	1,431	2,029	-	2,029
JR & SR Hi Academics	84	50	965	831	-	-	-

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
RACELAND-WORTHINGTON INDEPENDENT HIGH SCHOOL (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance June 30, 2012	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2013	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2013
Jr Beta Club	\$ 2,114	\$ 608	\$ 539	\$ -	\$ 2,183	\$ -	\$ 2,183
Jr Hi Football	1,550	9,725	10,164	-	1,111	-	1,111
Jr Hi Lost/Rental	158	35	35	-	158	-	158
Jr High Cheerleaders	1	-	-	-	1	-	1
Junior Class	2,128	5,656	5,447	1,274	3,611	-	3,611
Junior Schedule	-	4,379	125	(3,547)	707	-	707
JV Cheerleading	2,052	1,993	3,054	(669)	322	-	322
Key Club	251	313	360	45	249	-	249
Latin Honor Society	20	94	82	-	32	-	32
Library	71	175	158	3	91	-	91
Library Paper Account	9	-	-	-	9	-	9
Lockers/Library	2,610	-	950	1,835	3,495	-	3,495
Lost/Rental/Textbooks	21,331	-	20,833	6,707	7,205	-	7,205
Miscellaneous	35	2,327	5,033	4,596	1,925	-	1,925
MS Boys Basketball	730	4,706	3,015	-	2,421	-	2,421
MS Girls Basketball	779	2,278	2,459	-	598	-	598
Pep Club	359	240	272	-	327	-	327
Pop Machine	584	14,005	8,497	(4,706)	1,386	-	1,386
Program ADS/Basetball	315	2,175	689	(1,501)	300	-	300
Rams Incentive Programs	40	1,958	2,099	812	711	-	711
Rebound/Concession	9,409	23,888	6,873	(17,244)	9,180	-	9,180
Relay for Life	349	413	335	(175)	252	-	252
RVC Competition	94	-	-	-	94	-	94
RWEA	2,698	-	20	-	2,678	-	2,678
Scholarship Fund	85	2,915	2,100	(900)	-	-	-
Senior Class	1,369	-	1,336	282	315	-	315
Senior Class Trip	336	20,570	21,186	288	8	-	8
Senior Schedule	-	4,212	36	(2,895)	1,281	-	1,281
Seventh Grade Class	660	-	-	(76)	584	-	584
Softball Fundraisers	1,552	7,629	8,913	266	534	-	534
Softball Spring Trip	245	5,240	6,955	1,500	30	-	30
Sophomore Schedule	-	4,925	-	(4,365)	560	-	560
Sophomore Class	2,308	619	494	317	2,750	-	2,750
Spanish Club	8	-	-	-	8	-	8
Spanish Cruise Fund	521	-	-	-	521	-	521
Spanish Honor Society	2	5,520	5,760	548	310	-	310
Sr Beta Club	1,109	1,079	1,347	-	841	-	841
Stone Scholarship Fund	4,350	50	1,000	-	3,400	-	3,400
Student Council	453	-	176	-	277	-	277
Technical Student	464	3,495	3,477	(150)	332	-	332
Technology Education	435	2,714	2,103	569	1,615	-	1,615
Tennis	-	375	1,683	1,308	-	-	-
Varsity Cheerleading	964	40,210	36,422	756	5,508	962	6,470
Volleyball Fundraiser	-	7,273	5,254	(200)	1,819	-	1,819
Winter Guard	146	189	-	(335)	-	-	-
Workbooks	1,275	-	-	216	1,491	-	1,491
Yearbook	4,975	8,009	12,851	-	133	-	133
Total	\$ 138,769	\$ 427,558	\$ 417,472	\$ -	\$ 148,855	\$ (2,293)	\$ 146,562

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through Kentucky Department of Juvenile Justice Title I Program for Neglected and Delinquent Children	84.013	3100102-08	\$ 20,524	\$ 20,524
Passed through State Department of Education: Twenty-First Century Community Learning Centers	84.287	3400002-09	1,000	1,000
Title I Grants to Local Educational Agencies	84.010	3100002-12	176,689	176,689
Title I Grants to Local Educational Agencies	84.010	3100102-12	81,054	81,054
Title I Grants to Local Educational Agencies	84.010	3100202-11	24,135	20,797
				<u>278,540</u>
EduJobs	84.410	EJOB00-10	1,753	1,753
Race to the Top Grant	84.413	3960002-11	2,577	2,577
Special Education Cluster (IDEA): Special Education Grants to States -IDEA, Part B	84.027	3810002-12	166,106	166,106
Special Education Preschool Grants	84.173	3800002-12	2,063	2,063
				<u>168,169</u>
Improving Teacher Quality State Grants	84.367	3230002-11	39,109	39,109
Vocational Education Basic Grants to States	84.048	4621110-10	7,855	7,855
				<u>7,855</u>
Total U.S. Department of Education				<u>519,527</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster:				
Passed through State Department of Education:				
National School Lunch Program	10.555	7750002-13	-	139,092 *
National School Lunch Program	10.555	7750002-12	-	30,069 *
School Breakfast Program	10.553	7760005-13	-	45,409 *
School Breakfast Program	10.553	7760005-12	-	9,028 *
				<u>223,598</u>
Non-Cash Assistance				
National School Lunch Program - Food Donation	10.555	7750002-12	-	32,770 *
Total U.S. Department of Agriculture				<u>256,368</u>
Total Federal Assistance				<u>\$ 775,895</u>

* Denotes major program.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Raceland-Worthington Independent School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Raceland-Worthington Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, commodities on hand are included in the total inventory of \$14,936.



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements.

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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

Kelley, Galloway & Company, PSC

October 18, 2013



Kelley,
Galloway &
Company, PSC

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Raceland-Worthington Independent School District
Raceland, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Raceland-Worthington Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Raceland-Worthington Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Raceland-Worthington Independent School 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of Raceland-Worthington 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 federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Raceland-Worthington Independent School District's internal control over compliance.

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

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

Purpose of this Report

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

Kelley, Galloway & Company, PSC

October 18, 2013

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Type of audit auditor's report issued on compliance for major programs: Unmodified

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2013:

Child Nutrition Cluster (10.553 and 10.555)

Dollar threshold to distinguish between Type A and Type B Programs: \$ 300,000

The District qualified as a low risk auditee x yes _____ no

(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2013

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

2013-01 FEDERAL COMPLIANCE - APPLICATIONS

Federal Program Information: Child Nutrition Cluster, Federal Catalog No. 10.533 and 10.555, U.S. Department of Agriculture

Condition: During our testing of free and reduced applications, we noted that 3 of the 40 applications tested were improperly classified as eligible to receive free lunch and breakfast. On the application, the District properly concluded that the individuals were only eligible for reduced lunch and breakfast pricing. However, the students' classification within the food service system was "Free."

Criteria: Eligibility for reduced price and free meals is based on household income. Individuals not meeting the income guidelines should be properly classified in the food service system.

Effect: Noncompliance with program eligibility requirements.

Recommendation: In the future, additional care should be taken while inputting a student's free or reduced status into the food service system.

Management's Response and Corrective Action Plan: Our Food Service Director states that 2 of the 3 students identified as improperly classified on the audit were actually correct in the system and were eligible for "free" lunch based on amended applications that unfortunately he was not able to locate for documentation for the audit. The 3rd was a keying error. The Food Service Director is also the District's Director of Pupil Personnel, Safe Schools Coordinator, and Federal Programs Coordinator which is too much responsibility for one person. A new Food Service Director was hired for the 2013-2014 school year.

Contact Person Responsible for Corrective Action: Larry Coldiron, Superintendent

Anticipated Completion Date: Immediately

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Findings</u>	<u>Findings/Noncompliance</u>
2012-01	In the future, additional care should be taken while inputting a student's free or reduced status into the food service system.
Status	Repeat finding - 2013-01.