

**Russellville Independent  
School District**

**Financial Statements**

**June 30, 2013**



# Russellville Independent School District

## Table of Contents

June 30, 2013

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Independent Auditor's Report .....	4
Required Supplementary Information:	
Management's Discussion and Analysis .....	8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	23
Statement of Activities .....	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	32
Statement of Net Position – Proprietary Funds .....	33
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	34
Statement of Cash Flows – Proprietary Funds .....	35
Statement of Fiduciary Net Position – Fiduciary Funds.....	37
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	38
Notes to Financial Statements.....	39

Required Supplementary Information:

Budgetary Comparison Schedule for the General Fund .....64

Budgetary Comparison Schedule for the Special Revenue Fund .....66

Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds .....69

Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances – Nonmajor Governmental Funds.....70

Combining Statement of Fiduciary Net Position — Fiduciary Funds.....72

Combining Statement of Changes in Fiduciary Net Position — Fiduciary Funds.....73

Combining Statement of Assets and Liabilities – All School Activity  
Funds – All Agency Funds .....74

Statement of Assets and Liabilities – School Activity Funds – Russellville  
High School.....75

Schedule of Expenditures of Federal Awards.....77

Notes to the Schedule of Expenditures of Federal Awards .....79

Summary Schedule of Prior Year Audit Findings.....80

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.....81

Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by  
OMB Circular A-133.....83

Schedule of Findings and Questioned Costs.....86



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## Independent Auditor's Report

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Russellville Independent School District  
Russellville, 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 Russellville 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 *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

- **Opinions**

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

- **Emphasis of Matter**

As described in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

- **Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 21 and 64 through 67 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other information 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 September 27, 2013 on our consideration of Russellville Independent School District's internal control over financial reporting and 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.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
September 27, 2013

# **Required Supplementary Information**

## **Management's Discussion and Analysis**

**RUSSELLVILLE INDEPENDENT SCHOOL DISTRICT  
RUSSELLVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND  
ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**



As management of the Russellville Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

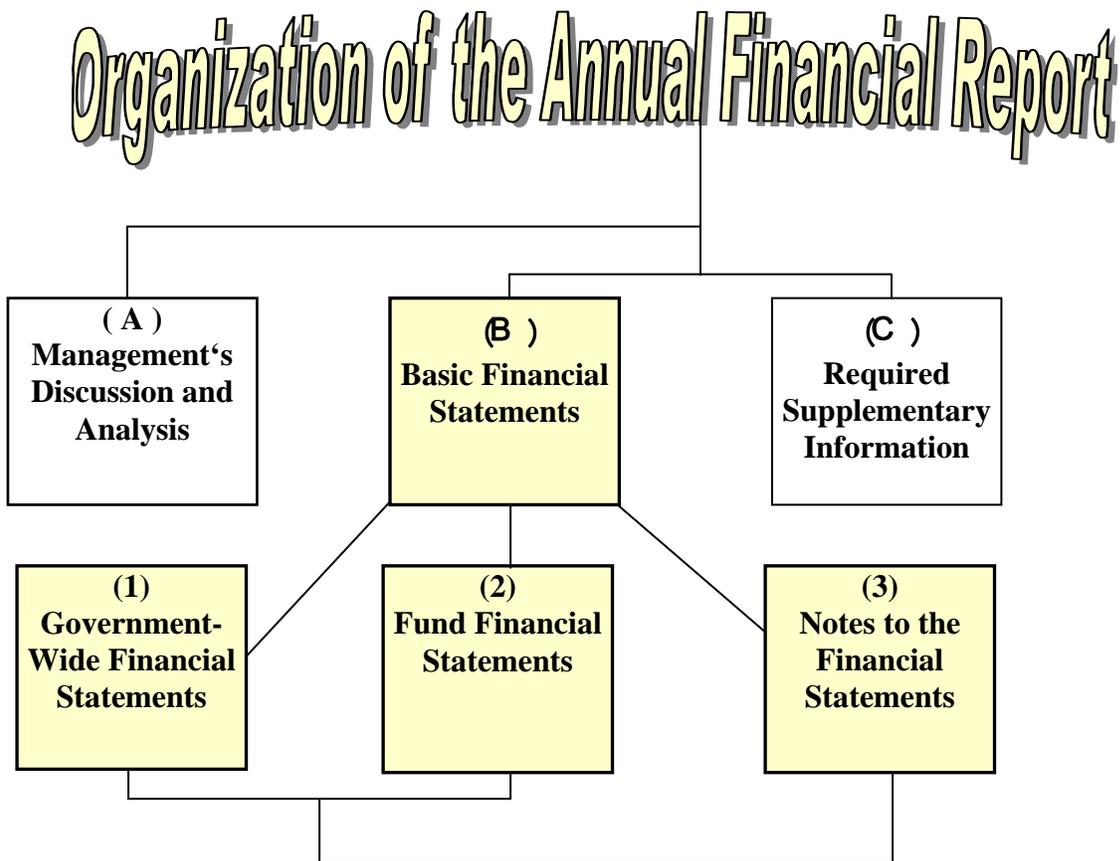
- Based on the GASB 34 model of measuring net position, the total net position from Governmental activities increased \$129,507 (i.e. 1.6%) and \$161,069 (i.e. 2.1%) for the fiscal years ended June 30, 2013 and 2012 respectively. Total net position from Business type activities increased \$6,664 (i.e. 2.1%) and increased \$12,597 (i.e. 4.1%) for the fiscal years ended June 30, 2013 and 2012 respectively. The result was a combined increase in the total net position of the district of \$136,171 (i.e. 1.6%) and \$173,666 (i.e. 2.1%) respectively.
- Total expenses related to governmental activities, for 2013 and 2012 respectively, were \$11,146,124 and \$11,162,878, of which \$2,468,464 and \$2,631,674 was offset by operating and capital grants and contributions. General revenues, including property taxes, utility taxes and state funding, provide the balance of the expenditures.
- In 2013, the financial statements reflect a total of \$1,812,400 of revenues and aid from the state for payments made by the state "on-behalf" of district employees for retirement contributions, various insurances including health insurance, and technology "on-behalf" payments. These payments are not paid directly to the district but are benefits of the district paid by the state "on-behalf" of the district.
- Our board has planned in advance and has been very fiscally responsible. During the current year, the board has committed \$1,695,000 of the General Fund's fund balance. \$265,000 is committed to funding future sick leave payouts and \$1,430,000 is committed to a minimum fund balance. In an effort to remain fiscally conservative, the board wants to maintain approximately two to three months of operating expenditures.
- The main challenge of our district as well as many other districts state wide is declining enrollments and funding. The state's per pupil funding was decreased by \$70.00 per student from 2012 to 2013 and \$6 per student from 2013 to 2014. The District's funded ADA increased by 7.25 students from fiscal years 2012 to 2013 and decreased 11.41 students from fiscal years 2013 to 2014. Over the past several years, the District's



management team has been aggressively taking steps to become more efficient in its operations. School administration is aggressively taking steps to change school atmosphere.

### OVERVIEW OF THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Russellville Independent School District as a financial whole or, in other words, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) Management's Discussion and Analysis (this section) [pages 8-21], (B) The Basic Financial Statements [pages 23-38], and (C) Required and other Supplementary Information [pages 64-67]. The statements provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: 1) Government-Wide Financial Statements [pages 23-26], 2) Fund Financial Statements [pages 27-38], and 3) Notes to the Financial Statements [pages 39-62] This report also contains other supplementary information in addition to the basic financial statements themselves.





The Government-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other nonmajor funds presented in total in one column.

### **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 39 through 62 of this report.

### **REPORTING THE SCHOOL DISTRICT AS A WHOLE**

One of the most important questions asked about the District is "How did we do financially during 2013?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities, and contingencies* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in the position. This change in net position is important because it tells the reader if the financial position of the District as a whole has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the District's property tax base and required educational programs.

In the *Statement of Net Position* and the *Statements of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.



- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Food Service and Community Education programs are reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District's financial position, total assets and deferred outflows of resources exceeded liabilities and contingency by \$8,405,449 and \$8,269,278 as of June 30, 2013 and 2012, respectively an increase of \$136,171.

The largest portion of the District's net position is reflected in its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt (\$5,873,868), 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 financial statements can be found on pages 23 through 26 of this report.

## **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

After looking at the District as a whole, an analysis of the major funds follows. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. 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. Fund accounting 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 District's funds can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds and scholarship trust accounts are reported as fiduciary funds. The School Food Service and Community Education Funds are reported as proprietary funds. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the District are included in the governmental



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funds. The major governmental funds for the Russellville Independent School District are the General Fund and Special Revenue Fund (grants).

**Governmental Funds** - Most of the District's activities are reported in the governmental funds. The governmental funds focus on how money flows into and out and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the *Statement of Net Position* and the *Statements of Activities*) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The proprietary funds are the Food Service and Community Education.

The basic governmental fund financial statements can be found on pages 27 through 38 of this report.

**Fiduciary Funds** - The schools' activity funds (or agency funds) and the scholarship trust accounts are the District's only fiduciary funds. At June 30, 2013 the asset balances of the schools' activity accounts and the scholarship trust account are \$93,178 and \$467,352 respectively. Due to investments in marketable securities, one of the scholarship accounts has an unrealized investment gain as of June 30, 2013 of \$12,539.



**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position for the Fiscal Years Ending June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		District Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	3,037,931	2,853,223	211,936	189,560	3,249,867	3,042,783
Capital assets	14,822,501	15,224,389	116,607	132,547	14,939,108	15,356,936
Total assets	17,860,432	18,077,612	328,543	322,107	18,188,975	18,399,719
Deferred Outflows of Resources	2,089	-	-	-	2,089	-
Long-term obligations	8,671,183	9,208,098			8,671,183	9,208,098
Other liabilities	987,317	922,115		228	987,317	922,343
Total Liabilities	9,658,500	10,130,213	-	228	9,658,500	10,130,441
Contingency	127,115	-	-	-	127,115	-
Net Position						
Invested in capital assets, net of related debt	5,757,261	5,649,447	116,607	132,547	5,873,868	5,781,994
Restricted	76,041	88,242			76,041	88,242
Unrestricted	2,243,604	2,209,710	211,936	189,332	2,455,540	2,399,042
Total Net Position	8,076,906	7,947,399	328,543	321,879	8,405,449	8,269,278

Russellville Independent School District  
 Russellville, Kentucky  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2013

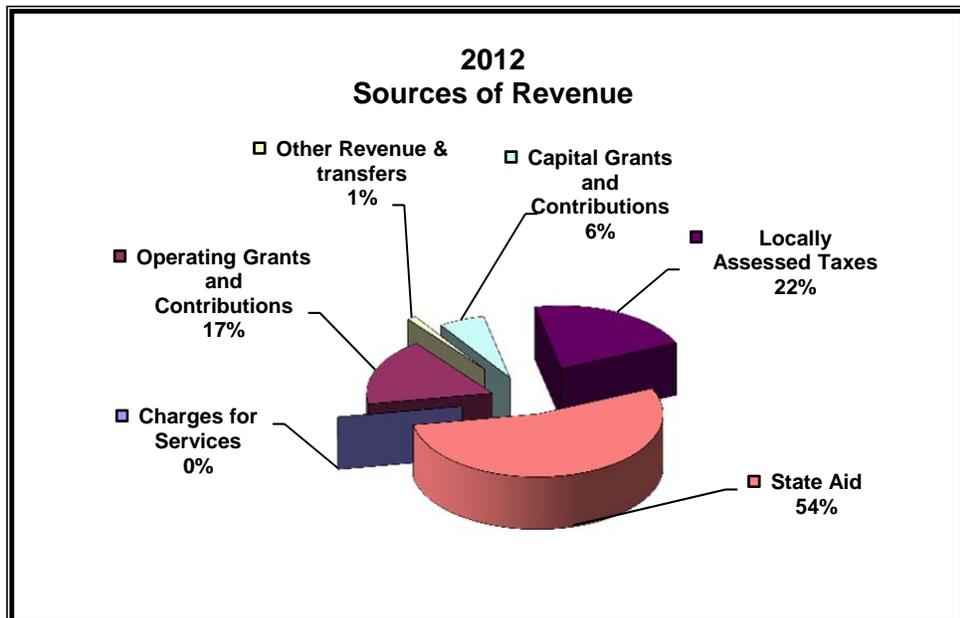
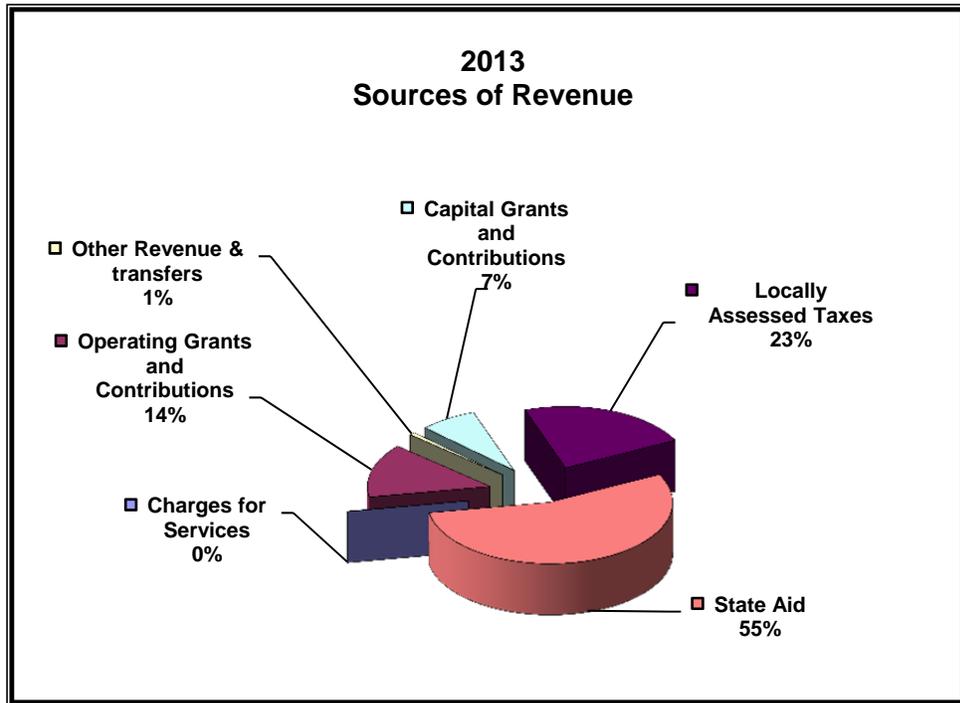


**Changes in Net Position for the Fiscal Year Ending June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		District Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for services	3,780	4,882	103,175	134,013	\$ 106,955	\$ 138,895
Op. grants and contributions	1,613,195	1,964,064	535,790	546,203	2,148,985	2,510,267
Cap. grants and contributions	855,269	667,610			855,269	667,610
<b>General Revenue</b>						
Locally Assessed Taxes	2,613,569	2,454,066			2,613,569	2,454,066
State Aid	6,233,228	6,104,190			6,233,228	6,104,190
Transfers	41,720	41,220			41,720	41,220
Extraordinary item- contingency	(127,115)	-			(127,115)	-
Other Revenue	41,985	87,915	517	446	42,502	88,361
<b>Total revenues</b>	<b>11,275,631</b>	<b>11,323,947</b>	<b>639,482</b>	<b>680,662</b>	<b>11,915,113</b>	<b>12,004,609</b>
<b>Expenses</b>						
Instruction & support	7,060,531	7,229,821			7,060,531	7,229,821
District & school admin.	1,532,169	1,288,219			1,532,169	1,288,219
Plant operations	1,514,287	1,579,762			1,514,287	1,579,762
Student transportation	531,293	527,558			531,293	527,558
Interest on long-term debt	348,124	374,887			348,124	374,887
Other	159,720	162,631	160	1,754	159,880	164,385
Transfers			41,720	41,220	41,720	41,220
Food service			590,938	625,091	590,938	625,091
<b>Total expenses</b>	<b>11,146,124</b>	<b>11,162,878</b>	<b>632,818</b>	<b>668,065</b>	<b>11,778,942</b>	<b>11,830,943</b>
<b>Change in net position</b>	<b>\$ 129,507</b>	<b>\$ 161,069</b>	<b>6,664</b>	<b>\$ 12,597</b>	<b>\$ 136,171</b>	<b>\$ 173,666</b>

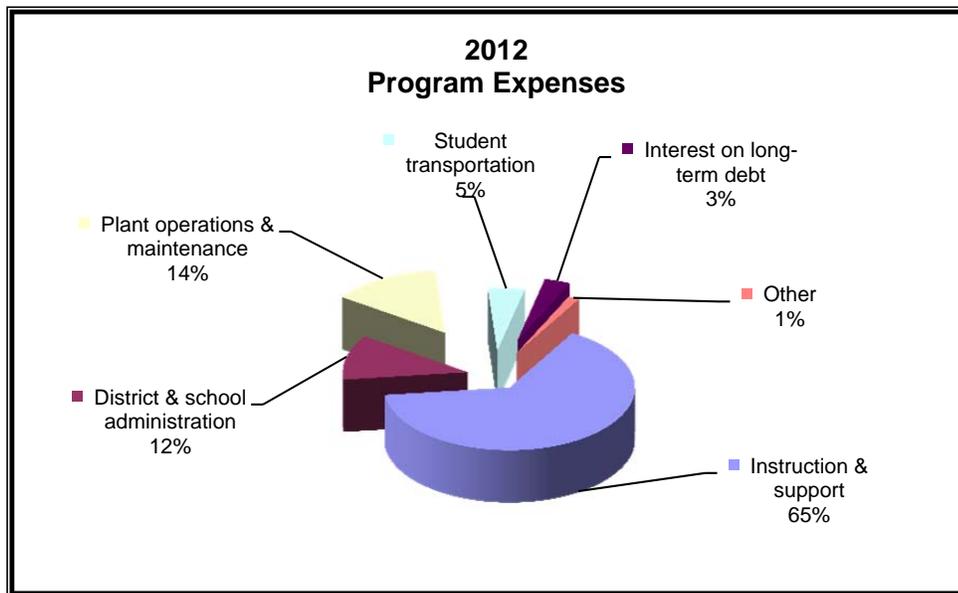
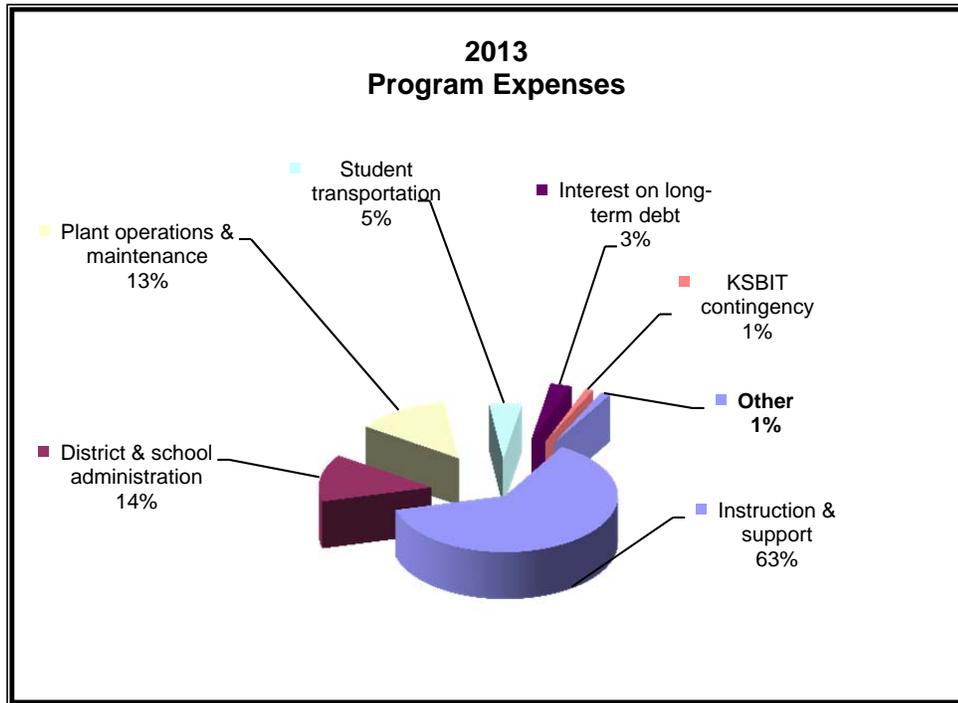


**Total Governmental Funds Revenues for the Fiscal Years Ending June 30, 2013 and 2012**





**Total Governmental Funds Expenses for the Fiscal Years Ending June 30, 2013 and 2012**





Using the GASB 34 model of measuring revenue and expenses, which is a different model of revenue and expense recognition than fund accounting, the District's total revenues, net of transfers, were \$11,873,393 and the total expenses, net of transfers, were \$11,737,222. For the year ending 2013, the total District revenues exceeded expenses by \$136,171. Total revenues decreased \$89,996 in 2013. The significant areas of changes in revenues are: 1) Locally generated taxes increased \$159,503. 2) Capital Grants and Contributions decreased a net of \$173,623. We received a contribution from the City of Russellville for an HVAC cost sharing arrangement of \$180,840. However, we had decreases in federal grant funding from the Education Jobs Grant and School Improvement Grants of \$281,246 3) An increase in the best estimate of an extraordinary contingency in the current year is \$127,115. 4) State aid increased a net of \$129,038 due to increases in recorded on-behalf payments and additional rental revenue from the vocational school. District expenses decreased \$52,501 in the 2013 year. 1) District on behalf payments increased \$89,440. 2) The district decreased expenses \$85,469 by not purchasing a bus this fiscal year.

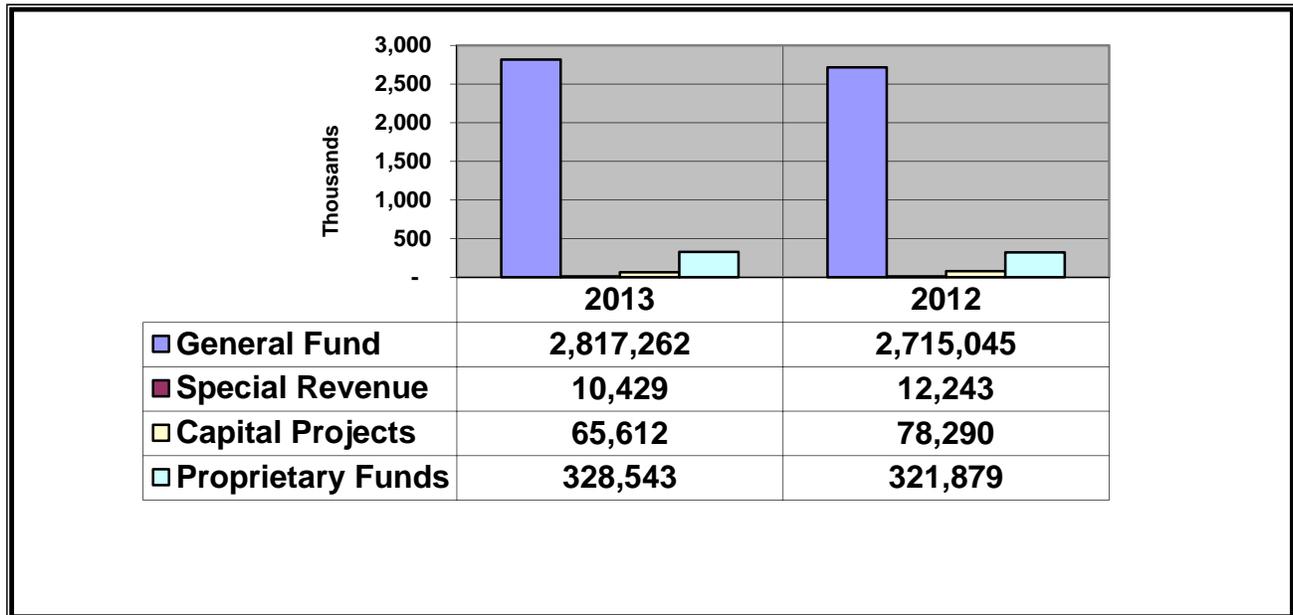
The basis of the Kentucky Education Reform Act (KERA) was to fund school systems based on an average student attendance. In districts where the local property tax base per pupil is less, the state equalizes the revenues by increasing the state's portion of the district's funding. Our District's state aid includes a rental paid by the state for the use of the District's Vocational School Building.

All school principals and staff are given budgets and freedom to work within those budgets. Using the MUNIS accounting system, the District's administration monitors and approves the procurement of purchases prior to the ordering. The close monitoring of cost and vendors results in significant savings to the District.

The financial position of the School Food Service has significantly improved over the past several school years. The Food Service Director with the cooperation of the food service staff and school principals, have been given the responsibility of operating a self-sustaining food service program. The food service program was not supplemented by the General Fund and had a small profit during the current year. We have seen declines in participation due to the rules controlling the types of food served. We are continuing the primary cost control measure, which is centralized food ordering. The food service program pays for the program's costs, including reimbursement of indirect costs and equipment purchases.



**Comparative Financial Analysis of the District's Fund Balances using Fund Accounting**



The General Fund balance increased by \$102,217. The District's current financial stability is a continued adherence to a good procurement policy, conservative spending and responsible use of federal and state grant funding. The fund balance of the Special Revenue fund decreased \$1,814. A combination of the Capital Project Funds (i.e. Capital Outlay, Building Fund, Construction Fund and Debt Service Fund) decreased \$12,678.

**General Fund Budgetary Highlights**

In accordance with directive from the Kentucky Department of Education (DOE) and Kentucky statutes, the District's budgets are prepared to account for most transactions on a cash receipt / cash disbursement / encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense. Any amounts being accumulated for other purposes ultimately is shown as unspent or over-budgeted expenditures. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE. The District's original and final General Fund Budgets are comparable with minimal changes. The total budgeted revenue variance when compared to total actual revenues was approximately 1% difference. Budgeted local revenues are comparable to actual with slightly more local revenue generated from utility taxes and property taxes. State budgeted revenues are comparable to actual with an increase in rental income from the vocational school due to an increase in enrollment. The total budgeted expense variance when compared to total actual



expenses was less than 1% difference. There were no individually significant variances in the budget expenses of the District.

### Capital Asset and Debt Administration

#### Capital Assets:

By June 30, 2013, the District had invested \$14,939,108, net of depreciation, in capital assets. This includes land, school buildings, athletic facilities, computer equipment, equipment, vehicles, and administrative offices. The cumulative total of assets was \$23,912,169 with accumulated depreciation of \$8,973,061. During the year, the District's installed a new chiller unit at the high school.

### SUMMARY OF CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		District Totals	
	2013	2012	2013	2012	2013	2012
Land and improvements	1,511,367	1,511,367			1,511,367	1,511,367
Construction in progress	-	17,229			-	17,229
Buildings and improvements	18,832,690	18,506,024			18,832,690	18,506,024
Equipment and vehicles	3,240,695	3,355,091	327,417	327,417	3,568,112	3,682,508
	<u>\$ 23,584,752</u>	<u>\$ 23,389,711</u>	<u>\$ 327,417</u>	<u>\$ 327,417</u>	<u>\$ 23,912,169</u>	<u>\$ 23,717,128</u>

#### Long-Term Debt:

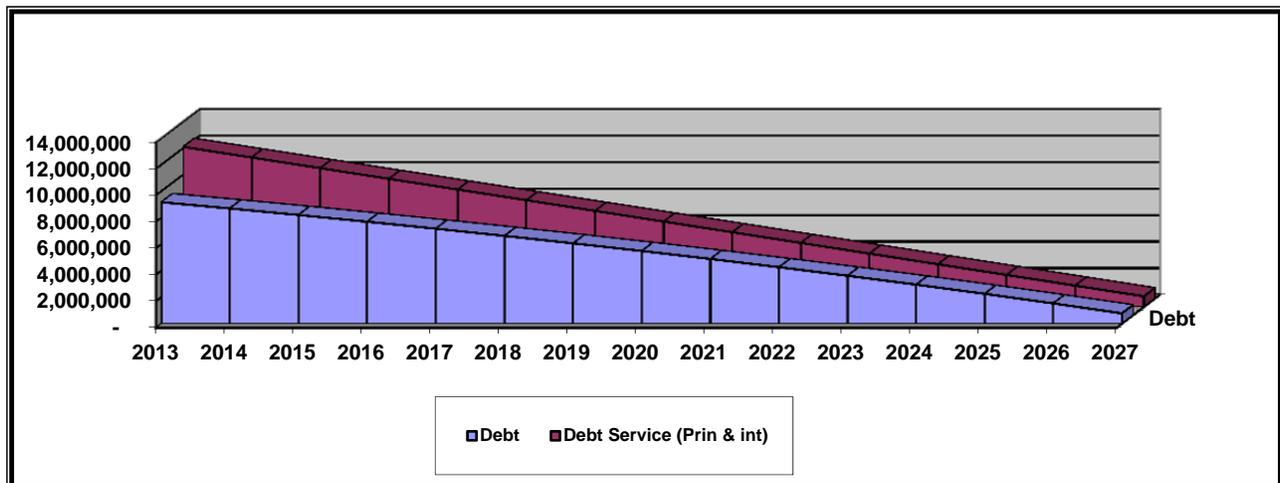
At year-end, the District had \$9,174,650 in General Obligation Bonds outstanding. The debt was decreased \$455,350 during the year. The following table represents the current debt schedule of the District. In June 2013, the board voted to refinance through a bond refunding the Series 2001 KISTA bond. The refunded is estimated to save a little over \$12,600 over the life of the bond.



**SUMMARY OF LONG-TERM DEBT**

<u>Series</u>	<u>Purpose</u>	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>	<u>Increase (Decrease)</u>
Series 2001 KISTA	HVAC and paving improvements at high school. Roof and paving improvement at elementary school.	-	250,000	(250,000)
Series 2004	Construction of media centers at each school.	775,000	1,020,000	(245,000)
Series 2008	7-8 Center construction, elementary school addition and remodeling.	8,210,000	8,360,000	(150,000)
Series 2012	Refunding of 2001 KISTA Series - HVAC and paving improvements at high school. Roof and paving improvement at elementary school.	189,650	-	189,650
		<u>\$ 9,174,650</u>	<u>\$ 9,630,000</u>	<u>\$ (455,350)</u>

The following table represents the current maturities and debt service cash flows, (principal and interest), of the District.





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## DISTRICT CHALLENGES FOR THE FUTURE

It is extremely important that the District continue to budget very conservatively. The District receives approximate 72.3% of its General Fund revenue each year through state funding sources. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not receive the revenue from taxing sources, an adjustment will be made to the funding formula. The District should always be prepared for such reductions in funding.

Approximately 27.3% of the General Fund revenue is from local sources. The major portion of the tax revenue does not come to the District until the fifth through the seventh month of the fiscal year. This means the General Fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a sufficient beginning balance to start each year. The District has an ending General Fund balance of \$2,817,262 or 27.5% of the total governmental fund's actual expenditures, (excluding Capital Projects funds), as a beginning balance for next year.

The District's January 2012 tax base increased \$6,885,733 or 2.56%. The school's administration, as well as school staff, is working to improve school attendance. The District receives funding through the SEEK formula based on the attendance count. There are a very limited number of new homes constructed within the boundaries of the District. Therefore, growth within the District is limited. It is vital that our schools have high attendance percentages and parents and students should continue to choose Russellville Independent Schools. Maintaining excellence and emphasizing serving the public are the main factors influencing this District challenge. The schools are working in concert to improve student achievement and test scores.

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Mr. Leon Smith, Superintendent or Mr. Mark Coursey, Director of Finance (270)726-8405, 355 South Summer Street, Russellville, Kentucky 42276. Their email addresses are [leon.smith@russellville.kyschools.us](mailto:leon.smith@russellville.kyschools.us) or [mark.coursey@russellville.kyschools.us](mailto:mark.coursey@russellville.kyschools.us).

# Basic Financial Statements

Russellville Independent School District  
Statement of Net Position

June 30, 2013	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 2,916,144	\$ 147,446	\$ 3,063,590
Investments	7,632	-	7,632
Accounts receivable:			
Taxes	82,980	-	82,980
Accounts	2,503	-	2,503
Intergovernmental	28,672	33,728	62,400
Inventory	-	30,762	30,762
Non-depreciable capital assets	225,815	-	225,815
Depreciable capital assets	23,358,937	327,417	23,686,354
Less: accumulated depreciation	(8,762,251)	(210,810)	(8,973,061)
Total assets	17,860,432	328,543	18,188,975
<b>Deferred Outflows of Resources</b>			
Deferred amount on debt refundings	2,089	-	2,089
Total deferred outflows of resources	2,089	-	2,089
<b>Liabilities</b>			
Accounts payable	134,014	-	134,014
Accrued liabilities	2,230	-	2,230
Unearned revenue	8,384	-	8,384
Accrued interest	88,987	-	88,987
Long-term obligations:			
Due within one year:			
Outstanding bonds	474,450	-	474,450
Other	19,238	-	19,238
Compensated absences	260,014	-	260,014
Due beyond one year:			
Outstanding bonds	8,573,641	-	8,573,641
Compensated absences	97,542	-	97,542
Total liabilities	9,658,500	-	9,658,500

<b>June 30, 2013</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Contingency</b>			
Contingency - loss from KSBIT settlement	127,115	-	127,115
Total contingency	127,115	-	127,115
<b>Net Position</b>			
Invested in capital assets, net of related debt	5,757,261	116,607	5,873,868
Restricted for:			
Grant programs	10,429	-	10,429
Capital projects	65,612	-	65,612
Unrestricted	2,243,604	211,936	2,455,540
<b>Total Net Position</b>	<b>\$ 8,076,906</b>	<b>\$ 328,543</b>	<b>\$ 8,405,449</b>

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Activities

Year Ended June 30, 2013	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction	\$ 5,712,758	\$ 3,360	\$ 1,011,311	\$ 30,186	\$ (4,667,901)	\$ -	\$ (4,667,901)
Support Services:							
Student	571,236	-	69,939	-	(501,297)	-	(501,297)
Instructional staff	776,537	-	371,011	-	(405,526)	-	(405,526)
District administration	392,527	-	-	-	(392,527)	-	(392,527)
School administration	736,931	-	1,060	-	(735,871)	-	(735,871)
Business	402,711	-	-	-	(402,711)	-	(402,711)
Plant operations and maintenance	1,514,287	420	-	-	(1,513,867)	-	(1,513,867)
Student transportation	531,293	-	2,583	-	(528,710)	-	(528,710)
Other	157,720	-	157,291	-	(429)	-	(429)
Building improvement	-	-	-	279,865	279,865	-	279,865
Interest on long-term debt	348,124	-	-	545,218	197,094	-	197,094
Bond issuance costs	2,000	-	-	-	(2,000)	-	(2,000)
<b>Total governmental activities</b>	<b>11,146,124</b>	<b>3,780</b>	<b>1,613,195</b>	<b>855,269</b>	<b>(8,673,880)</b>		<b>(8,673,880)</b>
Business-type Activities:							
Food services	590,938	102,195	535,790	-	-	47,047	47,047
Community education	160	980	-	-	-	820	820
<b>Total business-type activities</b>	<b>591,098</b>	<b>103,175</b>	<b>535,790</b>	<b>-</b>	<b>-</b>	<b>47,867</b>	<b>47,867</b>
<b>Total School District</b>	<b>\$ 11,737,222</b>	<b>\$ 106,955</b>	<b>\$ 2,148,985</b>	<b>\$ 855,269</b>	<b>(8,673,880)</b>	<b>47,867</b>	<b>(8,626,013)</b>

General Revenues			
Taxes:			
Property	1,896,051	-	1,896,051
Motor vehicle	132,518	-	132,518
Utilities	458,338	-	458,338
Other	126,662	-	126,662
State aid	6,233,228	-	6,233,228
Investment earnings	8,870	379	9,249
Other	33,115	138	33,253
Extraordinary item - loss on KSBIT settlement	(127,115)	-	(127,115)
Transfers	41,720	(41,720)	-
<hr/>			
Total general revenues, extraordinary item, and transfers	8,803,387	(41,203)	8,762,184
<hr/>			
Change in Net Position	129,507	6,664	136,171
Net Position - Beginning of Year	7,993,655	321,879	8,315,534
Effect of Adoption of GASB 65	(46,256)	-	(46,256)
<hr/>			
Net Position - Beginning of Year, as restated	7,947,399	321,879	8,269,278
<hr/>			
<b>Net Position - End of Year</b>	<b>\$ 8,076,906</b>	<b>\$ 328,543</b>	<b>\$ 8,405,449</b>
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Russellville Independent School District  
Balance Sheet  
Governmental Funds

<b>June 30, 2013</b>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 2,848,969	\$ 1,563	\$ 65,612	\$ 2,916,144
Investments	7,632	-	-	7,632
Accounts receivable:				
Taxes	82,980	-	-	82,980
Accounts	2,503	-	-	2,503
Intergovernmental	-	28,672	-	28,672
<b>Total Assets</b>	<b>\$ 2,942,084</b>	<b>\$ 30,235</b>	<b>\$ 65,612</b>	<b>\$ 3,037,931</b>

**Liabilities and Fund Balances**

Liabilities				
Accounts payable	\$ 122,592	\$ 11,422	\$ -	\$ 134,014
Accrued liabilities	2,230	-	-	2,230
Unearned revenue	-	8,384	-	8,384
<b>Total liabilities</b>	<b>124,822</b>	<b>19,806</b>	<b>-</b>	<b>144,628</b>
Fund Balances				
Restricted	-	10,429	65,612	76,041
Committed	1,695,000	-	-	1,695,000
Assigned	9,942	-	-	9,942
Unassigned	1,112,320	-	-	1,112,320
<b>Total fund balances</b>	<b>2,817,262</b>	<b>10,429</b>	<b>65,612</b>	<b>2,893,303</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,942,084</b>	<b>\$ 30,235</b>	<b>\$ 65,612</b>	<b>\$ 3,037,931</b>

**Russellville Independent School District  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position**

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<b>June 30,</b>	<b>2013</b>
Total Fund Balances – Governmental Funds	\$ 2,893,303
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 as assets in governmental funds. The cost of the assets is \$23,584,752 and the accumulated depreciation is \$8,762,251.	14,822,501
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	2,089
Contingent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(127,115)
Long-term liabilities, including bonds payable and accrued interests, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:	
Bonds payable	(9,048,091)
Accrued interest on the bonds	(88,987)
Other debt	(19,238)
Compensated absences	(357,556)
<b>Total Net Position – Governmental Activities</b>	<b>\$ 8,076,906</b>

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2013	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 1,620,207	\$ -	\$ 275,844	\$ 1,896,051
Motor vehicle	132,518	-	-	132,518
Utilities	458,338	-	-	458,338
Other	126,662	-	-	126,662
Earnings on investments	8,337	-	533	8,870
Other local revenue	6,832	65,086	180,840	252,758
Intergovernmental - state	6,233,228	450,160	644,243	7,327,631
Intergovernmental - federal	31,210	1,128,135	-	1,159,345
Total revenues	8,617,332	1,643,381	1,101,460	11,362,173
Expenditures				
Current:				
Instruction	4,644,923	1,073,790	-	5,718,713
Support services:				
Student	498,296	69,939	-	568,235
Instructional staff	389,060	371,011	-	760,071
District administration	373,690	-	-	373,690
School administration	733,372	1,060	-	734,432

Business	401,910	-	-	401,910
Plant operations and maintenance	1,036,397	-	-	1,036,397
Student transportation	481,836	2,583	-	484,419
Other	-	157,291	-	157,291
Debt service:				
Principal	-	-	457,900	457,900
Interest	-	-	343,577	343,577
Bond issuance costs	-	-	2,000	2,000
Building improvements	-	-	279,557	279,557
<b>Total expenditures</b>	<b>8,559,484</b>	<b>1,675,674</b>	<b>1,083,034</b>	<b>11,318,192</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>57,848</b>	<b>(32,293)</b>	<b>18,426</b>	<b>43,981</b>
Other Financing Sources (Uses)				
Proceeds of refunding bonds - net of discount	-	-	254,809	254,809
Payment to refunded bond escrow agent	-	-	(252,785)	(252,785)
Operating transfers in	74,848	30,479	758,075	863,402
Operating transfers out	(30,479)	-	(791,203)	(821,682)
<b>Total other financing sources (uses)</b>	<b>44,369</b>	<b>30,479</b>	<b>(31,104)</b>	<b>43,744</b>
<b>Net Change in Fund Balances</b>	<b>102,217</b>	<b>(1,814)</b>	<b>(12,678)</b>	<b>87,725</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,715,045</b>	<b>12,243</b>	<b>78,290</b>	<b>2,805,578</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,817,262</b>	<b>\$ 10,429</b>	<b>\$ 65,612</b>	<b>\$ 2,893,303</b>

Russellville Independent School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities

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Year Ended June 30,	2013
Total Net Change in Fund Balances - Governmental Funds	\$ 87,725
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$684,680) exceeds capital outlays (\$330,195) in the period.	(354,485)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(1,147)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	476,020
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. Correspondingly, the transfer to an escrow agent for the refunding of bonds is shown as an other financing use in the governmental funds, but the transfer reduces long-term liabilities in the statement of net position. The net of these other financing sources and uses is shown here for the period	(2,024)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(76,582)
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 129,507</b>

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Net Position  
Proprietary Funds

June 30, 2013	Enterprise Fund Food Service	Community Education	Total
<b>Assets</b>			
Current Assets			
Cash	\$ 143,243	\$ 4,203	\$ 147,446
Accounts receivable:			
Intergovernmental	33,728	-	33,728
Inventory	30,762	-	30,762
<hr/>			
Total current assets	207,733	4,203	211,936
<hr/>			
Noncurrent Assets			
Fixed assets - net	116,607	-	116,607
<hr/>			
Total assets	324,340	4,203	328,543
<hr/>			
<b>Net Position</b>			
Invested in capital assets	116,607	-	116,607
Unrestricted	207,733	4,203	211,936
<hr/>			
<b>Total Net Position</b>	<b>\$ 324,340</b>	<b>\$ 4,203</b>	<b>\$ 328,543</b>
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See accompanying notes to the financial statements.

**Russellville Independent School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**

<b>Year Ended June 30, 2013</b>	<b>Enterprise Fund Food Service</b>	<b>Community Education</b>	<b>Total</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 102,195	\$ -	\$ 102,195
Tuition and fees	-	980	980
Total operating revenues	102,195	980	103,175
<b>Operating Expenses</b>			
Instruction	-	160	160
Salaries and wages	284,319	-	284,319
Contract services	12,329	-	12,329
Materials and supplies	278,350	-	278,350
Depreciation expense	15,940	-	15,940
Total operating expenses	590,938	160	591,098
Operating income (loss)	(488,743)	820	(487,923)
<b>Non-Operating Revenues (Expenses)</b>			
State operating grants	45,866	-	45,866
Federal operating grants	455,872	-	455,872
Donated commodities	34,052	-	34,052
Interest revenue	379	-	379
Other	138	-	138
Total non-operating revenues (expenses)	536,307	-	536,307
Income before transfers	47,564	820	48,384
Transfers	(41,720)	-	(41,720)
Change in Net Position	5,844	820	6,664
Net Position - Beginning of Year	318,496	3,383	321,879
<b>Net Position - End of Year</b>	<b>\$ 324,340</b>	<b>\$ 4,203</b>	<b>\$ 328,543</b>

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Cash Flows  
Proprietary Funds

<b>Year Ended June 30, 2013</b>	<b>Enterprise Fund Food Service</b>	<b>Community Education</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from user charges	\$ 68,467	\$ 980	\$ 69,447
Cash payments to employees for services	(244,585)	-	(244,585)
Cash payments for contract services	(12,329)	-	(12,329)
Cash payments to suppliers for goods and services	(243,395)	-	(243,395)
Cash payments for other operating expenses	-	(160)	(160)
Net cash provided by (used in) operating activities	(431,842)	820	(431,022)
<b>Cash Flows from Noncapital Financing Activities</b>			
Indirect cost transfer to general fund	(41,720)	-	(41,720)
Non-operating grants received	462,004	-	462,004
Other	138	-	138
Net cash provided by noncapital financing activities	420,422	-	420,422
<b>Cash Flows from Investing Activities</b>			
Interest on investments	379	-	379
Net cash provided by investing activities	379	-	379
Net Increase (Decrease) in Cash	(11,041)	820	(10,221)
Cash - Beginning of Year	154,284	3,383	157,667
<b>Cash - End of Year</b>	<b>\$ 143,243</b>	<b>\$ 4,203</b>	<b>\$ 147,446</b>

<b>Year Ended June 30, 2013</b>	<b>Enterprise Fund Food Service</b>	<b>Community Education</b>	<b>Total</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Operating income (loss)	\$ (488,743)	\$ 820	\$ (487,923)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	15,940	-	15,940
Commodities received	34,052	-	34,052
On-behalf payments	39,734	-	39,734
Changes in assets and liabilities:			
Receivables	(33,728)		(33,728)
Inventories	1,130	-	1,130
Accounts payable	(227)	-	(227)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (431,842)</b>	<b>\$ 820</b>	<b>\$ (431,022)</b>

#### **Noncash Activities**

- The food service fund received \$34,052 of donated commodities from the federal government.
- The District received on-behalf payments of \$39,734 relating to insurance benefits.

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013	Agency Funds	Private Purpose Trust Funds
<b>Assets</b>		
Cash	\$ 90,012	\$ 40,610
Investments	-	426,742
Accounts receivable	3,166	-
Total assets	93,178	467,352
<b>Liabilities</b>		
Accounts payable	8,283	-
Due to student groups	84,895	-
Total liabilities	93,178	-
<b>Net Position</b>		
Held in trust for scholarships	-	467,352
<b>Net Position</b>	<b>\$ -</b>	<b>\$ 467,352</b>

See accompanying notes to the financial statements.

Russellville Independent School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

<b>Year Ended June 30, 2013</b>	<b>Private Purpose Trust Funds</b>
Additions	
Earnings on investments	\$ 15,905
Unrealized gain on investments	12,539
Total additions	28,444
Deductions	
Scholarships	12,600
Administrative fees	737
Total deductions	13,337
Change in Net Position	15,107
Net Position - Beginning of Year	452,245
<b>Net Position - End of Year</b>	<b>\$ 467,352</b>

See accompanying notes to the financial statements.

**Note 1: Summary of Significant Accounting Policies**

• ***Reporting Entity***

The Russellville Independent Board of Education (the "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 Russellville Independent School District (the "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 purposes, includes all of the funds relevant to the operation of the Russellville 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., except for those funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

**Russellville Independent School District Finance Corporation** — The Russellville Independent Board of Education resolved to authorize the establishment of the Russellville Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Russellville Independent Board of Education also comprise the Corporation's Board of Directors.

• ***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

▶ **Governmental Fund Types**

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 unassigned fund balances are considered as resources available for use. The general fund is a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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 and certain operating costs.

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 are restricted for use in financing projects identified in the District's facility plan.

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

▶ **Proprietary Fund Types**

*Enterprise Funds*

The *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). Amounts have been recorded for in-kind contributions of commodities from the USDA. The food service fund is a major fund.

The *Community Education Fund* is used to account for local community education activities.

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

▶ **Fiduciary Fund Types** (includes agency funds and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

*Agency Funds*

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

*Private Purpose Trust Funds*

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals.

● ***Basis of Accounting***

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

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

• ***Investments***

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

• ***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

• ***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500 with the exception of real property which is \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

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

<b>Description</b>	<b>Estimated Lives</b>
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	10–12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

● **Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

● **Compensated Absences**

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account in the funds from which the employees will be paid.

• ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

• ***Net Position***

The District classifies its net position into the following three categories:

*Invested in capital assets* - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

• ***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

● ***Revenues — Exchange and Non-Exchange Transactions***

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from non-exchange transactions must also be available before they can be recognized.

● ***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 as non-operating revenues/expenses in proprietary funds.

● ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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.

• ***Contributions of Capital***

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

• ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through September 27, 2013, which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

**Recently Issued and Adopted Accounting Pronouncements**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position."

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The District has early implemented the new requirements of this statement for the fiscal year ended June 30, 2013. The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of the adoption of GASB 65 is the reduction of beginning net position by \$46,256.

**Recently Issued Accounting Pronouncements**

GASB Statement No. 66, *Technical Corrections—2012: an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**Note 2: Cash and Investments**

• *Deposits*

At June 30, 2013, the carrying amounts of the District's deposits were \$3,194,212 and the bank balances were \$3,719,699 which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

<b>June 30,</b>	<b>2013</b>
Governmental funds	\$ 2,916,144
Proprietary funds	147,446
Fiduciary funds	130,622
	<b>\$ 3,194,212</b>

▶ *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$3,719,699 was not exposed to custodial credit risk as of June 30, 2013.

• *Investments*

<b>June 30, 2013</b>			
<b>General Fund Investments</b>	<b>Rating</b>	<b>Maturities</b>	<b>Fair Value</b>
Money Market	N/R	On Demand	\$ 344
Federal Home Loan Mortgage Corporation	AAA	6/25/2023	2,077
Federal National Mortgage Association	AAA	3/25/2023	5,211
			<b>\$ 7,632</b>

Russellville Independent School District  
Notes to Financial Statements (Continued)

**Note 2: Cash and Investments** *(Continued)*

June 30, 2013

Trust Fund Investments	Rating	Maturities	Fair Value
Money Market	N/R	On Demand	\$ 26,036
Chicago IL Board of Education Bab GO	A+/A2/A	12/1/2021	20,777
KS Dev Fin Build America Bonds	AA/Aa2	11/1/2024	10,593
Paducah Kentucky Electric Plant Board Bonds	Aa3/A-	10/1/2023	31,152
Brier Creek Sch Bldg Corp in First MTG Build America Bonds	AA+	7/15/2024	21,928
Eastern Kentucky University General Receipts Series A	A+/Aa3	10/1/2027	15,055
Jefferson Co Health Facilities Rev Alliant Health Systems Inc	A	10/1/2027	4,990
Benton Co WA Public Utility District	A+/Aa3/A+	11/1/2026	32,473
Jefferson Co Health Facilities Rev Alliant Health Systems Inc	A	10/1/2027	25,926
Kentucky Economic Development Finance Authority Baptist Healthcare	A1/AA-	8/15/2042	14,974
Kentucky ST Mun Pwr Agy Pwr Sys Rev Prairie ST Proj Ser A	A/A3	9/1/2037	30,494
American Mutual Fund CL A	NR	-	65,614
Capital World Growth & Income Fund CL A	NR	-	68,466
Income Fund of America CL A	NR	-	58,264
			<b>\$ 426,742</b>

► *Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

► *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Russellville Independent School District  
Notes to Financial Statements (Continued)

**Note 2: Cash and Investments** *(Continued)*

► *Concentration of Credit Risk*

The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 68% and 27% of the District's total General Fund investments, respectively.

**Note 3: Capital Assets**

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

<b>June 30, 2013</b>	<b>Capital Cost</b>			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 225,815	\$ -	\$ -	\$ 225,815
Construction in progress	17,229	279,557	296,786	-
Total non-depreciable historical cost	243,044	279,557	296,786	225,815
Capital assets that are depreciated:				
Land improvements	1,285,552	-	-	1,285,552
Buildings and improvements	18,506,024	326,666	-	18,832,690
Technology Equipment	1,356,176	6,805	135,154	1,227,827
Vehicles	1,128,267	-	-	1,128,267
General	870,648	13,953	-	884,601
Total depreciable historical cost	23,146,667	347,424	135,154	23,358,937

Russellville Independent School District  
Notes to Financial Statements (Continued)

**Note 3: Capital Assets (Continued)**

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Less accumulated depreciation for:				
Land improvements	845,550	35,820	-	881,370
Buildings and improvements	5,407,730	433,599	-	5,841,329
Technology Equipment	937,634	115,639	134,007	919,266
Vehicles	621,846	53,530	-	675,376
General	398,818	46,092	-	444,910
Total accumulated depreciation	8,211,578	684,680	134,007	8,762,251
Total depreciable historical cost, net	14,935,089	(337,256)	1,147	14,596,686
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 15,178,133</b>	<b>\$ (57,699)</b>	<b>\$ 297,933</b>	<b>\$ 14,822,501</b>
Business-Type Activities:				
General	\$ 327,417	\$ -	\$ -	\$ 327,417
Less accumulated depreciation	194,870	15,940	-	210,810
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 132,547</b>	<b>\$ (15,940)</b>	<b>\$ -</b>	<b>\$ 116,607</b>

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	2013
Instruction	\$ 67,245
Support services:	
Student Support	5,996
Instructional staff	17,495
District administration	22,647
School administration	2,499
Business support	801
Facilities operations	520,694
Student transportation	46,874
Other	429
<b>Total Depreciation Expense</b>	<b>\$ 684,680</b>

**Note 4: Long-Term Obligations**

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

Issue Date	Proceeds	Rates
2004R	1,535,000	2.125%—3.80%
2008	8,905,000	2.50%—3.75%
2012	252,550	2.00%

On July 12, 2012, the District issued \$252,550 in KISTA Bonds with an average interest rate of 2.0% to refund \$250,000 of outstanding 2001 Series KISTA bonds with an average interest rate of 4.69%. The net proceeds of \$252,785 (after payment of \$2,000 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to refund the 2001 Series KISTA bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,785. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2016 using the straight-line method. The District completed the refunding to reduce its total debt service payments over the next three years by \$10,790 and to obtain an economic gain (difference between the present value of the old and new debt service payments of \$12,661).

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Russellville Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Russellville Independent School District  
Notes to Financial Statements (Continued)

**Note 4: Long-Term Debt (Continued)**

Year	Russellville Independent School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2013—2014	\$ 272,194	\$ 390,296	\$ 57,716	\$ 84,154	\$ 804,360
2014—2015	259,704	403,521	55,192	86,679	805,096
2015—2016	246,314	420,591	52,462	89,409	808,776
2016—2017	231,954	432,640	49,510	92,360	806,464
2017—2018	217,244	449,500	46,370	95,500	808,614
2018—2019	201,512	461,157	43,028	98,843	804,540
2019—2020	185,372	477,698	39,568	102,302	804,940
2020—2021	168,414	494,066	35,936	105,934	804,350
2021—2022	150,626	515,253	32,124	109,747	807,750
2022—2023	131,820	531,247	28,118	113,753	804,938
2023—2024	111,898	551,981	23,852	118,019	805,750
2024—2025	91,200	572,555	19,426	122,445	805,626
2025—2026	69,728	597,964	14,834	127,036	809,562
2026—2027	47,304	618,200	10,070	131,800	807,374
2027—2028	24,122	643,257	5,126	136,743	809,248
	<b>\$ 2,409,406</b>	<b>\$ 7,559,926</b>	<b>\$ 513,332</b>	<b>\$ 1,614,724</b>	<b>\$ 12,097,388</b>

Maturities of other debt are as follow for the fiscal years ending:

<b>June 30,</b>	
2014	\$ 19,238
	<b>\$ 19,238</b>

Russellville Independent School District  
Notes to Financial Statements (Continued)

**Note 4: Long-Term Debt** *(Continued)*

Changes in long-term debt are as follow:

June 30, 2013	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due within One Year
Bonds and notes payable:					
Bonds	\$9,630,000	\$ 252,550	\$ (707,900)	\$9,174,650	\$ 474,450
Less: deferred issuance discount and premium	(138,672)	2,259	9,854	(126,559)	-
Total bonds and notes payable	9,491,328	254,809	(698,046)	9,048,091	474,450
Other liabilities:					
Other	37,358	-	(18,120)	19,238	19,238
Compensated absences	412,636	32,149	(87,229)	357,556	260,014
Total other liabilities	449,994	32,149	(105,349)	376,794	279,252
<b>Total Long-Term Liabilities</b>	<b>\$ 9,941,322</b>	<b>\$ 286,958</b>	<b>\$ (803,395)</b>	<b>\$ 9,424,885</b>	<b>\$ 753,702</b>

**Note 5: Fund Balances**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Nonspendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$ 65,612 as restricted for capital projects in the construction funds and \$ 10,429 restricted in the special revenue fund for local grants.

**Note 5: Fund Balances** *(Continued)*

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

The District had the following commitments at June 30, 2013: \$ 265,000 for compensated absences and \$ 1,430,000 for a minimum fund balance policy.

*Assigned fund balances* are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013 was \$ 9,942 . Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013 in the governmental funds balance sheet.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 19, 2013, the Board committed \$ 1,430,000 of funds to ensure the fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

**Note 6: Pension Plans**

• ***Plan Descriptions***

The Russellville Independent School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS). The CERS is a cost-sharing multiple-employer defined benefit plan. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

• ***Funding Policy***

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and KTRS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105%, for the Commonwealth and 1.000% for the District of annual covered payroll. The rate for CERS is 19.55%, 18.96% and 16.93% for the years ended June 30, 2013, 2012 and 2011, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$258,543, \$281,833 and \$255,658, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$546,559 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$143,914.

• ***Medical Insurance Plan***

*Plan Description* — In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement 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

**Note 6: Pension Plans** *(Continued)*

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. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. 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 0.5% of members' salary for the 2012–2013 fiscal year.

• ***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457 and 401(k). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statement.

**Note 7: 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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**Note 8: Risk Management**

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

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

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

KSBIT is now working under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a large deficit fund balance. KSBIT has submitted a proposal to the DOI for a novation rather than a runoff. A novation will transfer all existing KSBIT claims to a highly rated reinsurer which will continue to make claim payments. The novation will shift the future risk to the reinsurer instead of leaving it on the members as would occur in a runoff. This plan is not yet approved by the DOI and will not go into effect nor will it result in any assessment to members until approved. The proposal will affect both current members and prior members.

The novation proposal sent to the DOI would result in a general liability assessment of \$53,735 and a workers' compensation liability of \$73,380 to the district. This amount may be paid as a onetime lump sum or spread over several periods. Even though the district does not currently participate in these KSBIT funds, the District will be liable for the assessment based on claims and losses previously filed on the District's behalf. The District believes it is probable an assessment will occur and that the estimate provided is reasonable. The District has recorded these assessments on the government-wide financial statements in accordance with the economic measurement focus. The amount of the assessment recorded as of June 30, 2013 was \$127,115. A liability is not shown on the governmental fund financial statement in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* and GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as governmental funds follow the current financial resources measurement focus (modified accrual basis of accounting).

Russellville Independent School District  
Notes to Financial Statements (Continued)

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**Note 8: Risk Management** *(Continued)*

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

**Note 9: Excess Expenditures Over Appropriations**

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

<u>Year ended June 30, 2013</u>	
<u>Fund</u>	<u>Amount</u>
Special revenue	\$ 1,814
SEEK	12,986

**Note 10: Fund Transfers**

Fund transfers for the year ended June 30, 2013 consist of the following:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
General fund	Special revenue fund	Matching	\$ 15,093
General fund	Special revenue fund	Expenditures	15,386
SEEK	General fund	Expenditures	33,128
SEEK	Construction	Construction	74,187
FSPK	Construction	Construction	24,838
FSPK	Debt service	Debt service	659,050
Food service	General fund	Indirect costs	41,720

**Note 11: On-behalf Payments**

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2013, was 141,870 . These payments were recorded as follows:

<b>Year ended June 30, 2013</b>	
<b>Fund</b>	<b>Amount</b>
General Fund	\$ 1,630,796
Food Service Fund	39,734
Debt Service Fund	141,870
<b>Total</b>	<b>\$ 1,812,400</b>

# Required Supplementary Information

Russellville Independent School District  
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2013	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ 2,280,500	\$ 2,283,860	\$ 2,352,894	\$ 69,034
State programs	4,553,675	4,558,393	4,602,432	44,039
Federal programs	39,500	39,500	31,210	(8,290)
Total revenues	6,873,675	6,881,753	6,986,536	104,783
Expenditures				
Current:				
Instruction	3,539,909	3,531,232	3,614,816	(83,584)
Support services:				
Student	374,805	386,440	378,990	7,450
Instructional staff	309,223	314,541	319,080	(4,539)
District administration	351,397	351,397	320,011	31,386
School administration	580,683	580,485	569,010	11,475
Business	291,025	291,025	298,044	(7,019)
Plant operations and maintenance	1,029,042	1,029,042	999,435	29,607
Student transportation	449,225	449,225	429,302	19,923
Other	-	978,533	-	978,533
Total expenditures	6,925,309	7,911,920	6,928,688	983,232

Excess (Deficiency) of Revenues over Expenditures	(51,634)	(1,030,167)	57,848	1,088,015
Other Financing Sources (Uses)				
Operating transfers - net	10,122	10,122	44,369	34,247
Total other financing sources (uses)	10,122	10,122	44,369	34,247
Net Change in Fund Balance	(41,512)	(1,020,045)	102,217	1,122,262
Fund Balance - Beginning of Year	1,020,045	1,020,045	2,715,045	1,695,000
<b>Fund Balance - End of Year</b>	<b>\$ 978,533</b>	<b>\$ -</b>	<b>\$ 2,817,262</b>	<b>\$ 2,817,262</b>

#### Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

##### Inflows/revenues:

Actual amounts (budgetary basis) \$ 6,986,536

##### Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 1,630,796

#### **Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

**\$ 8,617,332**

##### Outflows/expenditures:

Actual amounts (budgetary basis) \$ 6,928,688

##### Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 1,630,796

#### **Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

**\$ 8,559,484**

Russellville Independent School District  
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2013	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 14,900	\$ 25,815	\$ 65,086	\$ 39,271
State programs	450,839	450,878	450,160	(718)
Federal programs	1,005,102	1,027,672	1,128,135	100,463
Total revenues	1,470,841	1,504,365	1,643,381	139,016
Expenditures				
Current:				
Instruction	893,383	911,188	1,073,790	(162,602)
Support services:				
Student	95,745	84,673	69,939	14,734
Instructional staff	353,574	375,360	371,011	4,349
School administration	-	1,060	1,060	-
Plant operations and maintenance	526	526	-	526
Student transportation	4,131	3,019	2,583	436
Other	155,860	156,811	157,291	(480)
Total expenditures	1,503,219	1,532,637	1,675,674	(143,037)
Excess (Deficiency) of Revenues over Expenditures	(32,378)	(28,272)	(32,293)	(4,021)

Other Financing Sources (Uses)				
Operating transfers - net	32,378	32,378	30,479	(1,899)
Total other financing sources (uses)	32,378	32,378	30,479	(1,899)
Net Change in Fund Balance	-	4,106	(1,814)	(5,920)
Fund Balance - Beginning of Year	-	-	12,243	12,243
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ 4,106</b>	<b>\$ 10,429</b>	<b>\$ 6,323</b>

# Supplementary Information

Russellville Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013	Construction Fund	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>					
Cash	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612
<b>Total Assets</b>	<b>\$ 65,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,612</b>
<b>Fund Balances</b>					
Restricted	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612
<b>Total Fund Balances</b>	<b>\$ 65,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,612</b>

Russellville Independent School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

Year Ended June 30, 2013	Contruccion Fund	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ 275,844	\$ -	\$ 275,844
Earnings on investments	-	-	-	533	533
Other local revenue	180,840	-	-	-	180,840
Intergovernmental - state	-	94,329	408,044	141,870	644,243
Total revenues	180,840	94,329	683,888	142,403	1,101,460
Expenditures					
Debt service:					
Principal	-	-	-	457,900	457,900
Interest	-	-	-	343,577	343,577
Bond issuance costs	-	-	-	2,000	2,000
Building improvements	279,557	-	-	-	279,557
Total expenditures	279,557	-	-	803,477	1,083,034
Excess (Deficiency) of Revenues over Expenditures	(98,717)	94,329	683,888	(661,074)	18,426

Other Financing Sources (Uses)					
Proceeds of refunding bonds - net of discount	-	-	-	254,809	254,809
Payment to refunded bond escrow agent	-	-	-	(252,785)	(252,785)
Operating transfers in	99,025	-	-	659,050	758,075
Operating transfers out	-	(107,315)	(683,888)	-	(791,203)
<b>Total other financing sources (uses)</b>	<b>99,025</b>	<b>(107,315)</b>	<b>(683,888)</b>	<b>661,074</b>	<b>(31,104)</b>
Net Change in Fund Balances	308	(12,986)	-	-	(12,678)
Fund Balances - Beginning of Year	65,304	12,986	-	-	78,290
<b>Fund Balances - End of Year</b>	<b>\$ 65,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,612</b>

Russellville Independent School District  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2013	Henry Music Scholarship Trust Fund	Other Scholarship Trust Funds	Total Private Purpose Trust Funds
<b>Assets</b>			
Cash	\$ -	\$ 40,610	\$ 40,610
Investments	426,742	-	426,742
Total assets	426,742	40,610	467,352
<b>Net Position</b>			
Held in trust for scholarships	426,742	40,610	467,352
<b>Net Position</b>	<b>\$ 426,742</b>	<b>\$ 40,610</b>	<b>\$ 467,352</b>

Russellville Independent School District  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year Ended June 30, 2013	Mary Hope Henry Music Scholarship Trust Fund	Other Scholarship Trust Funds	Total Private Purpose Trust Funds
Additions			
Earnings on investments	\$ 15,804	\$ 101	\$ 15,905
Unrealized gain on investments	12,539	-	12,539
Total additions	28,343	101	28,444
Deductions			
Scholarships	12,000	600	12,600
Administrative fees	737	-	737
Total deductions	12,737	600	13,337
Change in Net Position	15,606	(499)	15,107
Net Position - Beginning of Year	411,136	41,109	452,245
<b>Net Position - End of Year</b>	<b>\$ 426,742</b>	<b>\$ 40,610</b>	<b>\$ 467,352</b>

Russellville Independent School District  
Combining Statement of Assets and Liabilities  
All School Activity Funds  
All Agency Funds

Year Ended June 30, 2013	Cash July 1, 2012	Receipts	Disbursements	Cash June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2013
Russellville High School	\$ 34,673	\$ 271,194	\$ 257,596	\$ 48,271	\$ 3,166	\$ 8,283	\$ 43,154
Stevenson Elementary School	38,731	72,800	69,790	41,741	-	-	41,741
<b>Total</b>	<b>\$ 73,404</b>	<b>\$ 343,994</b>	<b>\$ 327,386</b>	<b>\$ 90,012</b>	<b>\$ 3,166</b>	<b>\$ 8,283</b>	<b>\$ 84,895</b>

Russellville Independent School District  
Statement of Assets and Liabilities  
School Activity Funds  
Russellville High School

Year Ended June 30, 2013	Cash			Cash			Accounts	Accounts	Due To Student
	July 1, 2012	Receipts	Disbursements	June 30, 2013	Receivable	Payable	Groups	June 30, 2013	
Academic Team	\$ 350	\$ -	\$ 174	\$ 176	\$ -	\$ -	\$ 176		
Ambassador	275	-	58	217	-	-	217		
Archery	874	6,331	3,224	3,981	-	-	3,981		
Art Club	125	296	406	15	-	-	15		
Art Grant	23	-	23	-	-	-	-		
Athletics	7,753	79,314	80,489	6,578	234	987	5,825		
Band	300	1,675	1,936	39	-	-	39		
Baseball	899	13,545	13,715	729	-	-	729		
Belinda SC Scholarship	-	-	-	-	500	422	78		
Beta Club	421	7,241	6,504	1,158	-	4	1,154		
Board of Education	-	10,444	10,068	376	-	62	314		
Boys Basketball	927	9,735	6,665	3,997	-	178	3,819		
Cheerleaders	809	3,968	4,586	191	-	-	191		
Panther Dance Team	105	-	65	40	-	-	40		
Drama	2,770	8,473	9,011	2,232	-	-	2,232		
Fellowship of Christian Athletes	350	481	449	382	-	-	382		
Material Fees	407	3,356	3,306	457	-	390	67		
FCC Leaders of America	550	2,773	2,797	526	-	283	243		
FMD	446	229	476	199	-	-	199		
Football	866	21,063	21,129	800	-	-	800		
General	469	6,191	6,631	29	190	-	219		
Gifted/Talented	1,928	4,888	6,732	84	-	-	84		
Girls Basketball	1,324	10,643	10,536	1,431	-	-	1,431		
Golf	-	1,105	872	233	-	-	233		
Guidance	281	8,794	9,075	-	2,173	-	2,173		

Jr. ACA	2,290	329	113	2,506	-	-	2,506
Jr. Athletics	-	7,400	2,422	4,978	-	714	4,264
Jr. Beta	457	6,686	5,718	1,425	-	-	1,425
Jr. Boys Basketball	649	1,694	2,200	143	-	-	143
Jr. Cheerleaders	1,550	8,710	8,848	1,412	-	1,412	-
Jr. Football	753	2,850	1,202	2,401	-	324	2,077
Jr. Girls Basketball	260	723	983	-	-	-	-
Jr. National Honor Society	-	125	125	-	-	-	-
Jr. High Pep Club	-	886	555	331	-	-	331
Jr. Volleyball	1,220	690	1,842	68	-	-	68
The Learning Academy	3	-	-	3	-	-	3
Library	73	-	51	22	-	-	22
National Honor Society	124	-	96	28	-	-	28
Outdoorsman Club	-	232	196	36	-	-	36
Panthers R Us	317	16,691	16,285	723	-	628	95
Pep Club	172	212	353	31	-	-	31
Positive Panther Peers	-	-	-	-	-	-	-
Stem	-	2,165	812	1,353	-	958	395
STLP	-	238	-	238	-	-	238
Senior Class	2	4,412	3,475	939	-	576	363
Shakespearean Festival	12	-	-	12	-	-	12
Soccer	718	677	1,026	369	-	-	369
Softball	254	2,397	2,194	457	-	457	-
Spanish Club	706	894	547	1,053	-	345	708
Swim Team	700	1,405	1,355	750	-	-	750
Teacher Lounge	414	1,244	1,205	453	69	474	48
RHS Tennis	746	2,013	555	2,204	-	-	2,204
Greenhouse	48	-	35	13	-	-	13
G/B Track	508	1,099	809	798	-	69	729
Volleyball	64	4,105	3,758	411	-	-	411
Yearbook	202	1,998	958	1,242	-	-	1,242
Youth Service Center	179	774	951	2	-	-	2
	<b>\$ 34,673</b>	<b>\$ 271,194</b>	<b>\$ 257,596</b>	<b>\$ 48,271</b>	<b>\$ 3,166</b>	<b>\$ 8,283</b>	<b>\$ 43,154</b>

# Russellville Independent School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed-Through State Department of Agriculture:			
Food Distribution Program - noncash	10.555	57502	\$ 34,052
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 12	137,282
National School Lunch Program	10.555	7750002 12	318,591
Total U.S. Department of Agriculture			489,925
U.S. Department of Education			
Impact Aid	84.041	--	8,950
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I to Local Educational Agencies - 2012	84.010	3100002 11	171,957
Title I to Local Educational Agencies - 2013	84.010	3100002 12	357,762
Title I School Improvement Funds - 2011	84.010	3100202 10	6,949
Title I School Improvement Funds - 2012	84.010	3100202 11	43,578
Subtotal			580,246
Special Education Cluster			
Special Education - 2012	84.027	3810002 11	58,843
Special Education - 2013	84.027	3810002 12	228,826
Special Education - Preschool - 2012	84.173	3800002 11	1,086
Special Education - Preschool - 2013	84.173	3800002 12	34,772
Subtotal			323,527
English Language Acquisition Grants - 2011	84.365	3300002 10	2
English Language Acquisition Grants - 2012	84.365	3300002 11	904
English Language Acquisition Grants - 2013	85.365	3300002 12	9,414
Subtotal			10,320

**Year Ended June 30, 2013**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Vocational Education - 2013	84.048	4621032 12	7,993
Rural Education Achievement - 2013	84.358A	3140002 12	19,885
Subtotal			
Improving Teacher Quality - 2012	84.367	3230002 11	1,429
Improving Teacher Quality - 2013	84.367	3230002 12	<u>51,213</u>
Subtotal			52,642
ARRA Educational Jobs	84.410A	EJOB00 10	10,201
Race to the Top	84.413A	3960002 11	13,812
ARRA - School Improvement G Grant - LEAs YR 2	84.388A	4100302 09	42,218
ARRA - School Improvement G Grant - LEAs YR 3	84.388A	4100302 09	<u>26,625</u>
Subtotal			68,843
Passed-Through Logan County Board of Education:			
Migrant Education - 2012	84.011	3112	7,660
Migrant Education - 2013	84.011	3113	<u>32,434</u>
Subtotal			40,094
<b>Total U.S. Department of Education</b>			<b>1,136,513</b>
U.S. Department of Health and Human Services Passed-Through Barren River Area Development District :			
Family Caregiver Support Group	93.958	6903	571
<b>Total U.S. Department of Health and Human Services</b>			<b>571</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,627,009</b>

Russellville Independent School District  
Notes to the Schedule of Expenditures of Federal Awards

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**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Russellville Independent School District (the "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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies**

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

Nonmonetary assistance is reported in the schedule of fair value of the goods received.

**Note 3: Subrecipients**

There were no subrecipients during the fiscal year.

Russellville Independent School District  
Summary Schedule of Prior Year Audit Findings

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None



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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  
Russellville Independent School District  
Russellville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Russellville Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Russellville Independent School District's basic financial statements and have issued our report thereon dated September 27, 2013.

### ● Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Independent Auditor's Contract – State Compliance Requirements*.

- **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.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
September 27, 2013

## 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  
Russellville Independent School District  
Russellville, Kentucky

### • Report on Compliance for Each Major Federal Program

We have audited Russellville Independent School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### • Management's Responsibility

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

### • Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

- **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the 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.

- **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, 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 the District's internal control over compliance.

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

internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Carr, Riggs & Ingram, L.L.C.*

**Section I — Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

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

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

Russellville Independent School District  
Comments and Recommendations

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Identification of major programs:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
84.027 / 84.173	IDEA-B Cluster
10.553 / 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings and Questioned Costs**

None reported.