

Russellville Independent Schools
District

Financial Statements

June 30, 2014



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REPORT





Carr, Riggs & Ingram, LLC

927 College Street
Bowling Green, Kentucky 42101
PO Box 104
Bowling Green, Kentucky 42102-0104
(270) 782-0700
(270) 782-0932 (fax)

167 South Main Street
Russellville, Kentucky 42276
(270) 726-7151
(270) 726-3155 (fax)

www.cricpa.com

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, 2014, 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 from material misstatement.

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

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

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

● **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

● **Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 20 and 58 through 61 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 October 13, 2014 on our consideration of Russellville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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



FINANCIAL STATEMENTS

**RUSSELLVILLE INDEPENDENT SCHOOL DISTRICT
RUSSELLVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND
ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**



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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

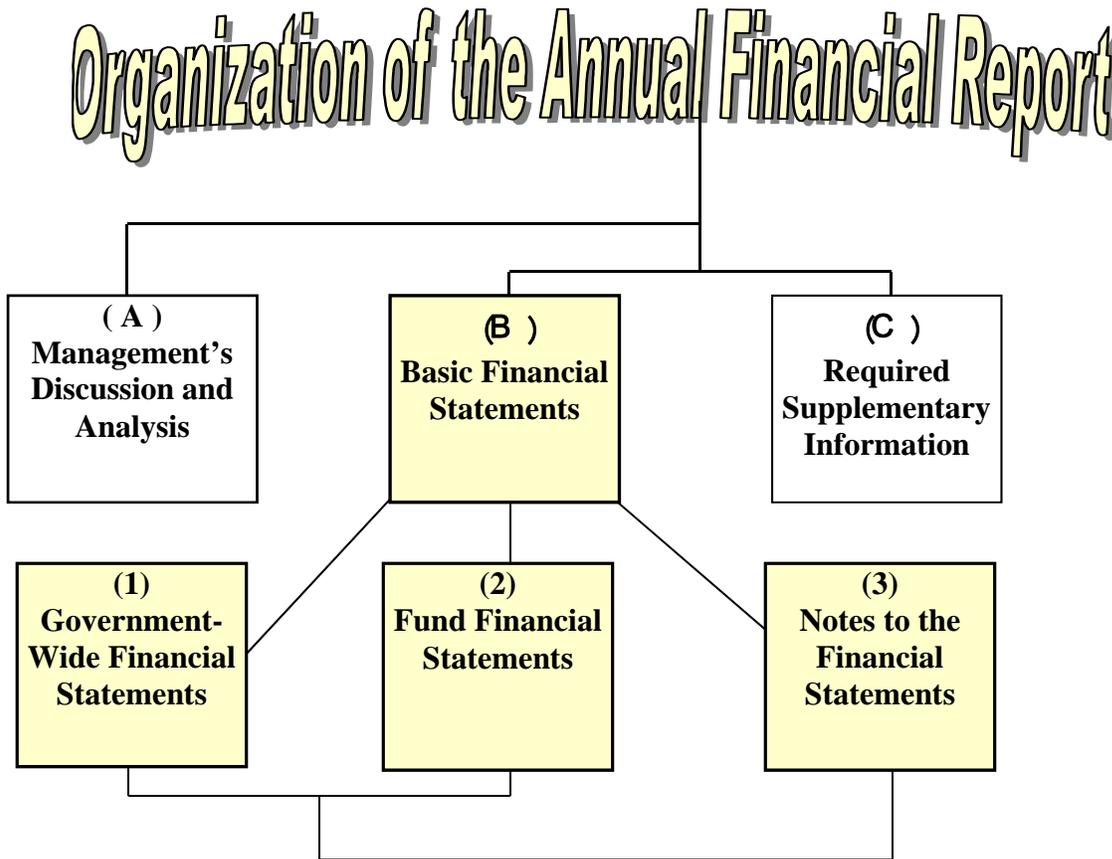
- Based on the GASB 34 model of measuring net position, the total net position from Governmental activities increased \$12,035 (i.e. 0.15%) and \$129,507 (i.e. 1.6%) for the fiscal years ended June 30, 2014 and 2013 respectively. Total net position from Business type activities increased \$5,387 (i.e. 1.6%) and increased \$6,664 (i.e. 2.1%) for the fiscal years ended June 30, 2014 and 2013 respectively. The result was a combined increase in the total net position of the district of \$17,422 (i.e. 0.21%) and \$136,171 (i.e. 1.6%) respectively.
- Total expenses related to governmental activities, for 2014 and 2013 respectively, were \$11,126,173 and \$11,146,124, of which \$2,165,709 and \$2,468,464 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 2014, the financial statements reflect a total of \$1,837,388 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 \$6.00 per student from 2013 to 2014. The District's funded ADA increased by 10.02 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 7-20], (B) The Basic Financial Statements [pages 21-36], and (C) Required and other Supplementary Information [pages 58-73]. 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 21-24], 2) Fund Financial Statements [pages 25-36], and 3) Notes to the Financial Statements [pages 37-57]. 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 non-major 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 37 through 57 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 2014?" 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 \$8,422,871 and \$8,405,449 as of June 30, 2014 and 2013, respectively an increase of \$17,422.

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 (\$5,752,759), 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 21 through 24 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



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 25 through 36 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, 2014 the asset balances of the schools' activity accounts and the scholarship trust account are \$95,147 and \$504,377 respectively. Due to investments in marketable securities, one of the scholarship accounts has an unrealized investment gain as of June 30, 2014 of \$37,663.



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the Fiscal Years Ending June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	3,105,239	3,037,931	191,772	211,936	3,297,011	3,249,867
Capital assets	14,192,573	14,822,501	142,502	116,607	14,335,075	14,939,108
Total assets	<u>17,297,812</u>	<u>17,860,432</u>	<u>334,274</u>	<u>328,543</u>	<u>17,632,086</u>	<u>18,188,975</u>
Deferred Outflows of Resources	1,392	2,089	-	-	1,392	2,089
Long-term obligations	8,281,077	8,671,183	-	-	8,281,077	8,671,183
Other liabilities	929,186	987,317	344	-	929,530	987,317
Total Liabilities	<u>9,210,263</u>	<u>9,658,500</u>	<u>344</u>	<u>-</u>	<u>9,210,607</u>	<u>9,658,500</u>
Contingency	-	127,115	-	-	-	127,115
Net Position						
Invested in capital assets, net of related debt	5,610,257	5,757,261	142,502	116,607	5,752,759	5,873,868
Restricted	103,408	76,041			103,408	76,041
Unrestricted	<u>2,375,276</u>	<u>2,243,604</u>	<u>191,428</u>	<u>211,936</u>	<u>2,566,704</u>	<u>2,455,540</u>
Total Net Position	<u>8,088,941</u>	<u>8,076,906</u>	<u>333,930</u>	<u>328,543</u>	<u>8,422,871</u>	<u>8,405,449</u>

Russellville Independent School District
 Russellville, Kentucky
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014

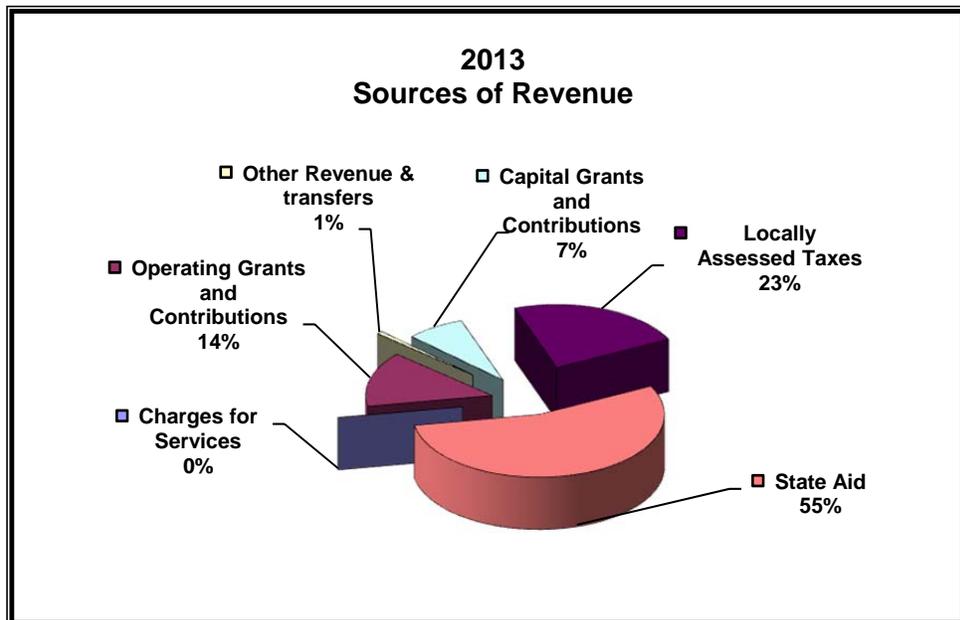
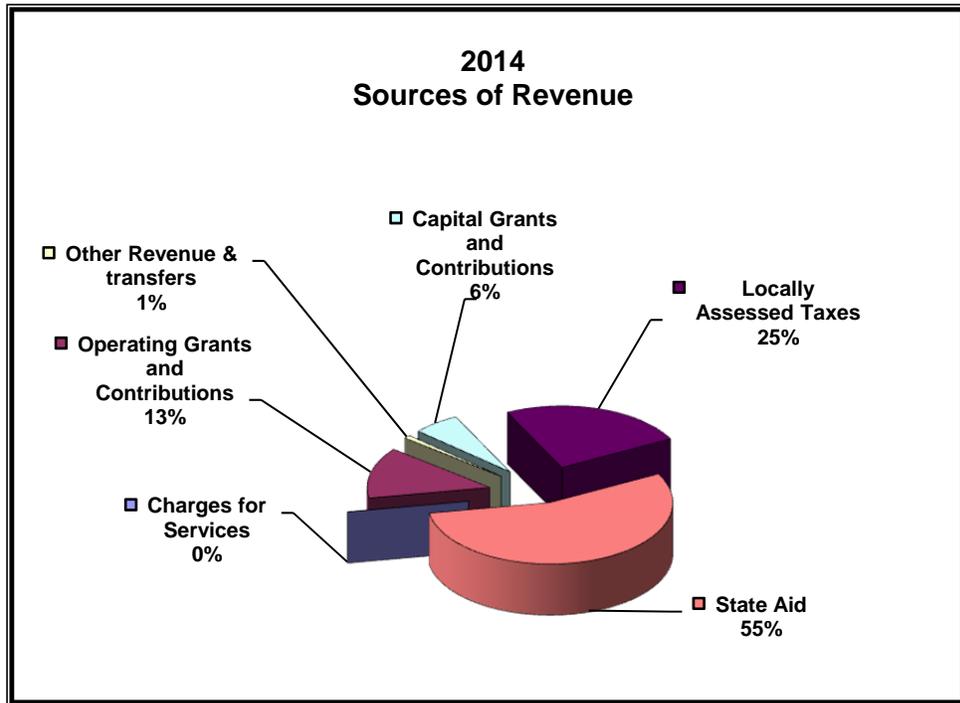


Changes in Net Position for the Fiscal Year Ending June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for services	3,000	3,780	89,058	103,175	\$ 92,058	\$ 106,955
Op. grants and contributions	1,484,324	1,613,195	543,442	535,790	2,027,766	2,148,985
Cap. grants and contributions	681,385	855,269			681,385	855,269
General Revenue						
Locally Assessed Taxes	2,723,714	2,613,569			2,723,714	2,613,569
State Aid	6,082,946	6,233,228			6,082,946	6,233,228
Transfers	39,777	41,720			39,777	41,720
Extraordinary item- contingency	68,101	(127,115)			68,101	(127,115)
Other Revenue	54,961	41,985	416	517	55,377	42,502
Total revenues	11,138,208	11,275,631	632,916	639,482	11,771,124	11,915,113
Expenses						
Instruction & support	6,919,676	7,060,531			6,919,676	7,060,531
District & school admin.	1,534,889	1,532,169			1,534,889	1,532,169
Plant operations	1,684,370	1,514,287			1,684,370	1,514,287
Student transportation	490,331	531,293			490,331	531,293
Interest on long-term debt	334,900	348,124			334,900	348,124
Other	162,007	159,720	1,968	160	163,975	159,880
Transfers			39,777	41,720	39,777	41,720
Food service			585,784	590,938	585,784	590,938
Total expenses	11,126,173	11,146,124	627,529	632,818	11,753,702	11,778,942
Change in net position	\$ 12,035	\$ 129,507	5,387	\$ 6,664	\$ 17,422	\$ 136,171

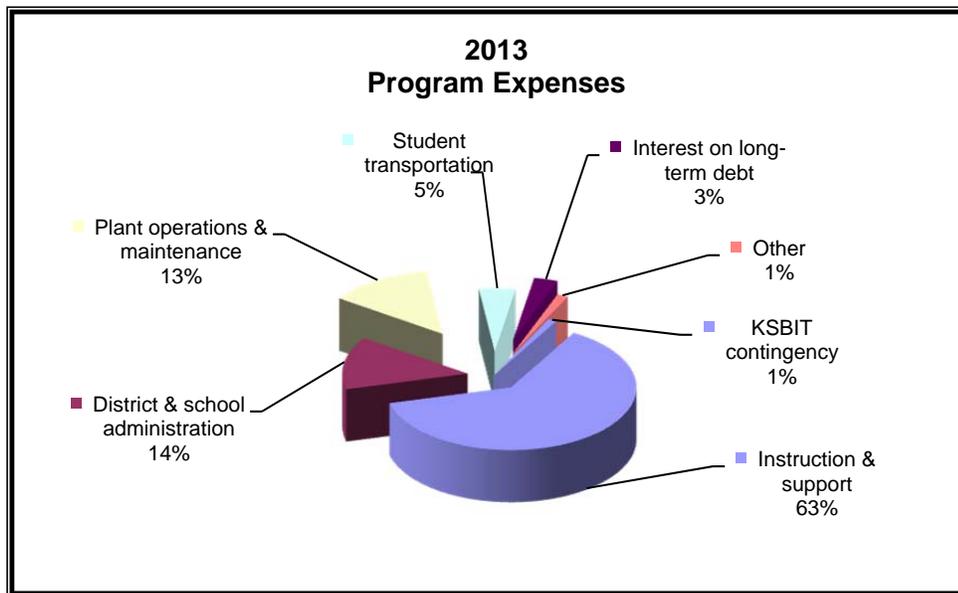
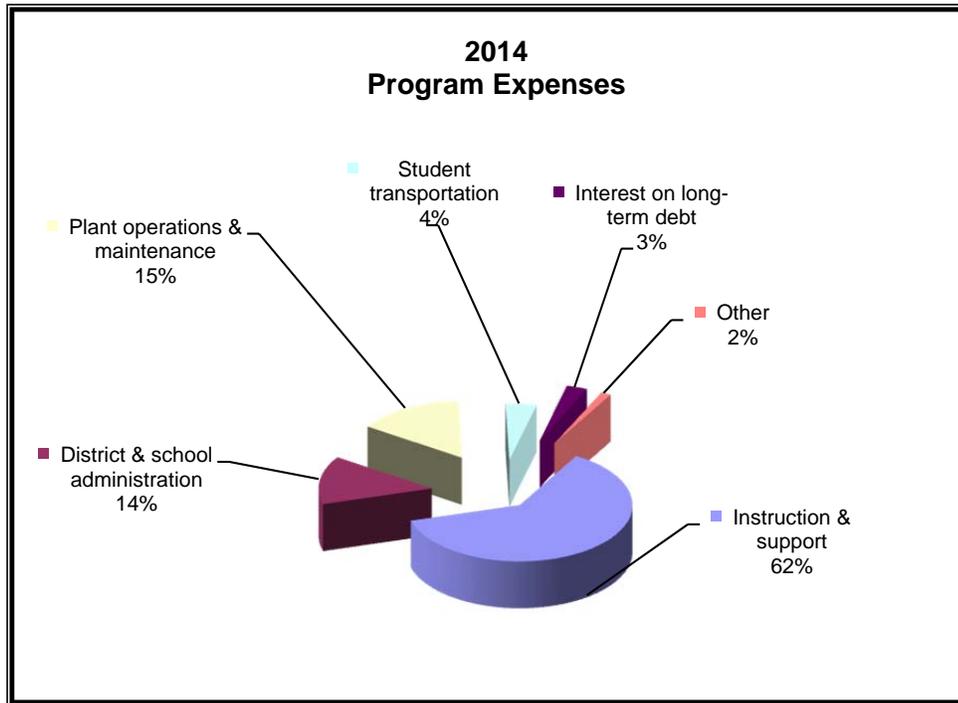


Total Governmental Funds Revenues for the Fiscal Years Ending June 30, 2014 and 2013





Total Governmental Funds Expenses for the Fiscal Years Ending June 30, 2014 and 2013





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 \$11,731,347 and the total expenses, net of transfers, were \$11,713,925. For the year ending 2014, the total District revenues exceeded expenses by \$17,422. Total revenues decreased \$142,046 in 2014. The significant areas of changes in revenues are: 1) Locally generated taxes increased \$110,145. 2) Capital Grants and Contributions decreased a net of \$295,103. The decreases are due to several items. In the previous year, we received two grants not continued into the current year: a contribution treated as a grant from the City of Russellville for an HVAC cost sharing arrangement of \$180,840 and the School Improvement Grant for \$65,268. In addition to those grants ending, we recognized \$125,220 less revenue from Title I, IDEA and vocation school revenues. 3) An adjustment was made for the actual KSBIT loss conservatively over-estimated in the prior year. 4) State aid decreased a net of \$150,282. The decrease is many due to two factors. The state requiring districts with state ran vocational school to report the rental of the building in the Special Revenue Fund instead of the general fund and a net decrease in SEEK funding. District expenses changed very little in total from last year with a total decrease of \$23,297 in the 2014 year. Individually significant changes include decreases in instructional expenses (\$140,855) largely due to less revenue from Title I, IDEA and vocation school. Increase in plant operations and maintenance (\$170,083) was due to largely to various roofing repair projects.

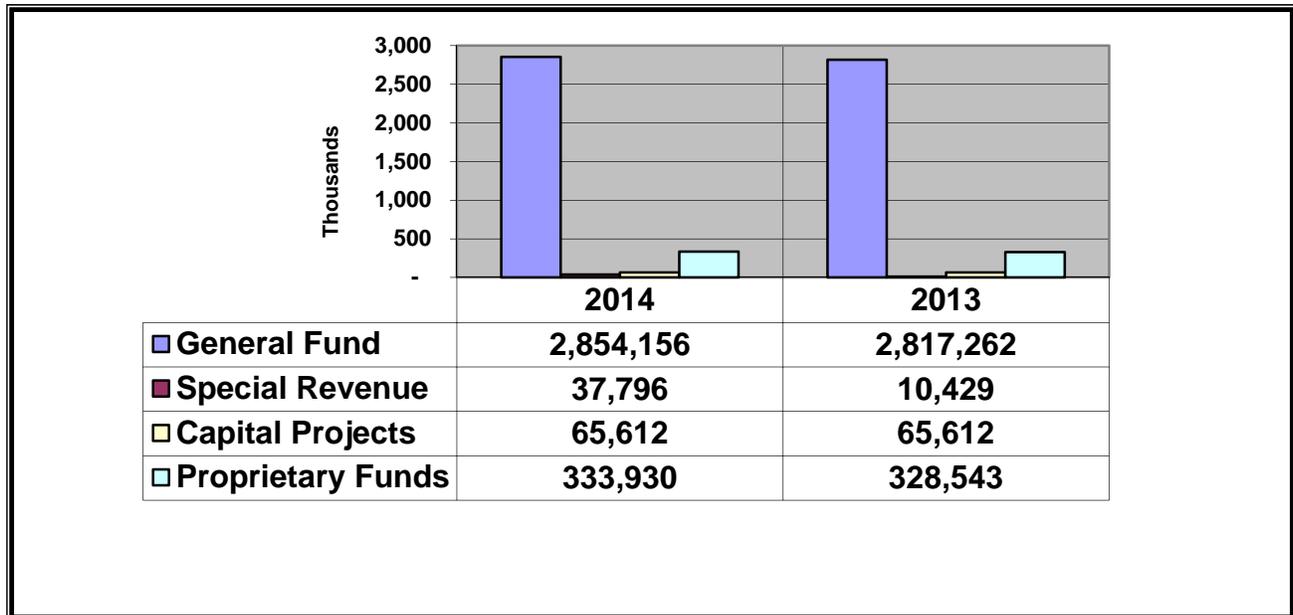
The basis of the Kentucky Education Reform Act (KERA) was to fund school systems based on an average student attendance. In districts where the local property tax base per pupil is less, the state equalizes the revenues by increasing the state's portion of the district's funding. Our District's state 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 \$36,894. 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 increased \$27,367. A combination of the Capital Project Funds (i.e. Capital Outlay, Building Fund, Construction Fund and Debt Service Fund) remained unchanged. The Proprietary Funds (i.e. Food Service and Community Education) increased 5,387.

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 delinquent property taxes and current property taxes. State



budgeted revenues are comparable to actual. 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, 2014, the District had invested \$14,335,075, 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 \$23,921,812 with accumulated depreciation of \$9,586,737. During the year no individually significant item was purchased.

SUMMARY OF CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		District Totals	
	2014	2013	2014	2013	2014	2013
Land and improvements	1,511,367	1,511,367			1,511,367	1,511,367
Construction in progress	-	-			-	-
Buildings and improvements	18,832,690	18,832,690			18,832,690	18,832,690
Equipment and vehicles	3,225,968	3,240,695	351,787	327,417	3,577,755	3,568,112
	<u>\$ 23,570,025</u>	<u>\$ 23,584,752</u>	<u>\$ 351,787</u>	<u>\$ 327,417</u>	<u>\$ 23,921,812</u>	<u>\$ 23,912,169</u>

Long-Term Debt:

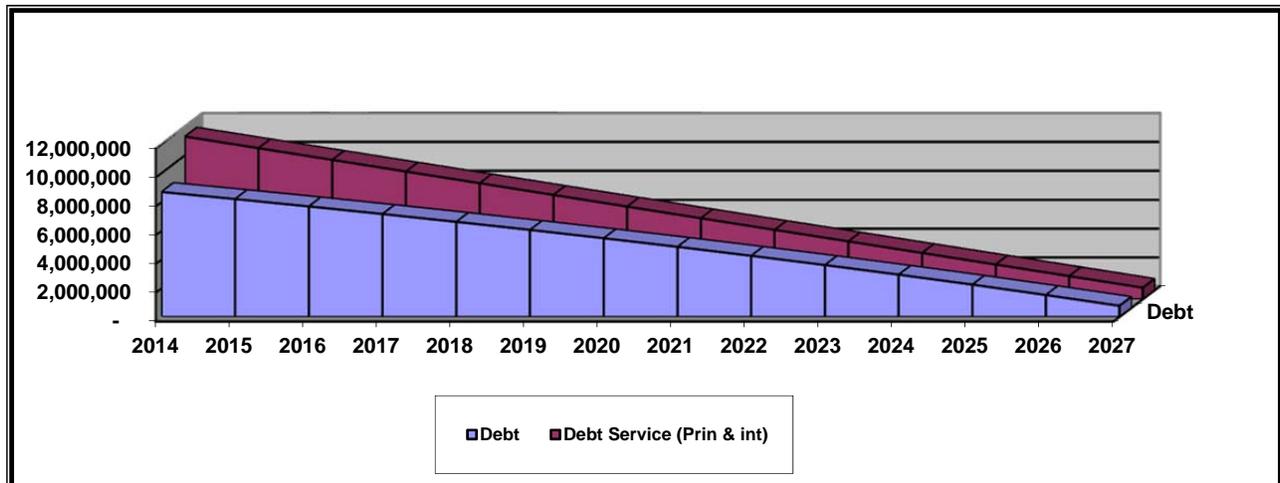
At year-end, the District had \$8,700,200 in General Obligation Bonds outstanding. The debt was decreased \$474,450 during the year. The following table represents the current debt schedule of the District.



SUMMARY OF LONG-TERM DEBT

Series	Purpose	Governmental Activities 2014	Governmental Activities 2013	Increase (Decrease)
Series 2004	Construction of media centers at each school.	525,000	775,000	(250,000)
Series 2008	6-8 Center construction, elementary school addition and remodeling.	8,045,000	8,210,000	(165,000)
Series 2012	Refunding of 2001 KISTA Series - HVAC and paving improvements at high school. Roof and paving improvement at elementary school.	130,200	189,650	(59,450)
		<u>\$ 8,700,200</u>	<u>\$ 9,174,650</u>	<u>\$ (474,450)</u>

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



DISTRICT CHALLENGES FOR THE FUTURE



It is extremely important that the District continue to budget very conservatively. The District receives approximate 70.8% 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 28.9% 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 \$2,854,156 or 28.2% of the total governmental fund's actual expenditures, (excluding Capital Projects funds), as a beginning balance for next year.

The District's January 2013 tax base increased \$939,906 or 0.34%. 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 or mark.coursey@russellville.kyschools.us.

Russellville Independent School District
Statement of Net Position

June 30, 2014	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 2,945,006	\$ 147,833	\$ 3,092,839
Investments	7,281	-	7,281
Accounts receivable:			
Taxes	117,079	-	117,079
Accounts	2,488	-	2,488
Intergovernmental	33,385	-	33,385
Inventory	-	43,939	43,939
Non-depreciable capital assets	225,815	-	225,815
Depreciable capital assets	23,344,210	351,787	23,695,997
Less: accumulated depreciation	(9,377,452)	(209,285)	(9,586,737)
Total assets	17,297,812	334,274	17,632,086
Deferred Outflows of Resources			
Deferred amount on debt refundings	1,392	-	1,392
Total deferred outflows of resources	1,392	-	1,392
Liabilities			
Accounts payable	84,862	344	85,206
Accrued liabilities	5,001	-	5,001
Unearned revenue	57,812	-	57,812
Accrued interest	83,213	-	83,213
Long-term obligations:			
Due within one year:			
Outstanding bonds	490,200	-	490,200
Other	16,613	-	16,613
Compensated absences	191,485	-	191,485
Due beyond one year:			
Outstanding bonds	8,093,508	-	8,093,508
Other	42,401	-	42,401
Compensated absences	145,168	-	145,168
Total liabilities	9,210,263	344	9,210,607

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Net Position

June 30, 2014	Governmental Activities	Business-type Activities	Total
Net Position			
Invested in capital assets, net of related debt	5,610,257	142,502	5,752,759
Restricted for:			
Grant programs	37,796	-	37,796
Capital projects	65,612	-	65,612
Unrestricted	2,375,276	191,428	2,566,704
Total Net Position	\$ 8,088,941	\$ 333,930	\$ 8,422,871

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Activities

Year Ended June 30, 2014	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction	\$ 5,580,447	\$ 3,000	\$ 815,972	\$ 29,820	\$ (4,731,655)	\$ -	\$ (4,731,655)
Support Services:							
Student	581,661	-	73,084	-	(508,577)	-	(508,577)
Instructional staff	757,568	-	325,437	-	(432,131)	-	(432,131)
District administration	407,397	-	-	-	(407,397)	-	(407,397)
School administration	733,071	-	-	-	(733,071)	-	(733,071)
Business	394,421	-	-	-	(394,421)	-	(394,421)
Plant operations and maintenance	1,684,370	-	50,489	-	(1,633,881)	-	(1,633,881)
Student transportation	490,331	-	57,754	-	(432,577)	-	(432,577)
Other	162,007	-	161,588	-	(419)	-	(419)
Interest on long-term debt	334,900	-	-	651,565	316,665	-	316,665
Total governmental activities	11,126,173	3,000	1,484,324	681,385	(8,957,464)		(8,957,464)
Business-type Activities:							
Food services	585,784	87,283	543,442	-	-	44,941	44,941
Community education	1,968	1,775	-	-	-	(193)	(193)
Total business-type activities	587,752	89,058	543,442	-	-	44,748	44,748
Total School District	\$ 11,713,925	\$ 92,058	\$ 2,027,766	\$ 681,385	(8,957,464)	44,748	(8,912,716)

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Activities

Year Ended June 30, 2014	Net (Expense) Revenue and Changes in Net Position		
	Governmental		Business-type
	Activities	Activities	Total
General Revenues			
Taxes:			
Property	1,992,770	-	1,992,770
Motor vehicle	134,337	-	134,337
Utilities	434,706	-	434,706
Other	161,901	-	161,901
State aid	6,082,946	-	6,082,946
Investment earnings	8,285	341	8,626
Other	46,676	75	46,751
Extraordinary item - recovery 2013 KSBIT	68,101	-	68,101
Transfers	39,777	(39,777)	-
Total general revenues, extraordinary item, and transfers	8,969,499	(39,361)	8,930,138
Change in Net Position	12,035	5,387	17,422
Net Position - Beginning of Year	8,076,906	328,543	8,405,449
Net Position - End of Year	\$ 8,088,941	\$ 333,930	\$ 8,422,871

See accompanying notes to the financial statements.

Russellville Independent School District
Balance Sheet
Governmental Funds

June 30, 2014	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,797,777	\$ 81,617	\$ 65,612	\$ 2,945,006
Investments	7,281	-	-	7,281
Accounts receivable:				
Taxes	117,079	-	-	117,079
Accounts	2,488	-	-	2,488
Intergovernmental	-	33,385	-	33,385
Total Assets	\$ 2,924,625	\$ 115,002	\$ 65,612	\$ 3,105,239

See accompanying notes to the financial statements.

Russellville Independent School District
Balance Sheet
Governmental Funds

June 30, 2014	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 65,468	\$ 19,394	\$ -	\$ 84,862
Accrued liabilities	5,001	-	-	5,001
Unearned revenue	-	57,812	-	57,812
Total liabilities	70,469	77,206	-	147,675
Fund Balances				
Restricted	-	37,796	65,612	103,408
Committed	1,695,000	-	-	1,695,000
Assigned	26,250	-	-	26,250
Unassigned	1,132,906	-	-	1,132,906
Total fund balances	2,854,156	37,796	65,612	2,957,564
Total Liabilities and Fund Balances	\$ 2,924,625	\$ 115,002	\$ 65,612	\$ 3,105,239

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

June 30,	2014
Total Fund Balances – Governmental Funds	\$ 2,957,564
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>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 \$23,570,025 and the accumulated depreciation is \$9,377,452.</p>	14,192,573
<p>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.</p>	1,392
<p>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:</p>	
Bonds payable	(8,583,708)
Accrued interest on the bonds	(83,213)
Other debt	(59,014)
Compensated absences	(336,653)
Total Net Position – Governmental Activities	\$ 8,088,941

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, 2014	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 1,715,986	\$ -	\$ 276,784	\$ 1,992,770
Motor vehicle	134,337	-	-	134,337
Utilities	434,706	-	-	434,706
Other	161,901	-	-	161,901
Earnings on investments	8,285	-	-	8,285
Other local revenue	22,038	63,808	-	85,846
Intergovernmental - state	6,082,946	547,005	651,565	7,281,516
Intergovernmental - federal	27,638	903,331	-	930,969
Total revenues	8,587,837	1,514,144	928,349	11,030,330
Expenditures				
Current:				
Instruction	4,734,487	864,326	-	5,598,813
Support services:				
Student	502,581	73,084	-	575,665
Instructional staff	414,557	325,437	-	739,994
District administration	385,042	-	-	385,042
School administration	730,663	-	-	730,663

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, 2014	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Business	393,776	-	-	393,776
Plant operations and maintenance	1,052,150	50,489	-	1,102,639
Student transportation	385,703	57,754	-	443,457
Other	-	161,588	-	161,588
Debt service:				
Principal	-	-	474,450	474,450
Interest	-	-	329,910	329,910
Building improvements	-	-	69,849	69,849
Total expenditures	8,598,959	1,532,678	874,209	11,005,846
Excess (Deficiency) of Revenues over Expenditures	(11,122)	(18,534)	54,140	24,484
Other Financing Sources (Uses)				
Operating transfers in	103,182	55,566	732,339	891,087
Operating transfers out	(55,166)	(9,665)	(786,479)	(851,310)
Total other financing sources (uses)	48,016	45,901	(54,140)	39,777
Net Change in Fund Balances	36,894	27,367	-	64,261
Fund Balances - Beginning of Year	2,817,262	10,429	65,612	2,893,303
Fund Balances - End of Year	\$ 2,854,156	\$ 37,796	\$ 65,612	\$ 2,957,564

See accompanying notes to the financial statements.

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

Year Ended June 30,	2014
Total Net Change in Fund Balances - Governmental Funds	\$ 64,261
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 (\$673,285) exceeds capital outlays (\$43,357) in the period.</p>	(629,928)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	493,688
<p>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.</p>	84,014
Change in Net Position - Governmental Activities	\$ 12,035

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Net Position
Proprietary Funds

June 30, 2014	Enterprise Fund Food Service	Community Education	Total
Assets			
Current Assets			
Cash	\$ 144,155	\$ 3,678	\$ 147,833
Inventory	43,939	-	43,939
Total current assets	188,094	3,678	191,772
Noncurrent Assets			
Fixed assets - net	142,502	-	142,502
Total assets	330,596	3,678	334,274
Liabilities			
Current Liabilities			
Accounts payable	276	68	344
Total current liabilities	276	68	344
Net Position			
Invested in capital assets	142,502	-	142,502
Unrestricted	187,818	3,610	191,428
Total Net Position	\$ 330,320	\$ 3,610	\$ 333,930

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014	Enterprise Fund Food Service	Community Education	Total
Operating Revenues			
Lunchroom sales	\$ 87,283	\$ -	\$ 87,283
Tuition and fees	-	1,775	1,775
Total operating revenues	87,283	1,775	89,058
Operating Expenses			
Instruction	-	1,968	1,968
Salaries and wages	289,548	-	289,548
Contract services	14,883	-	14,883
Materials and supplies	262,551	-	262,551
Depreciation expense	18,802	-	18,802
Total operating expenses	585,784	1,968	587,752
Operating loss	(498,501)	(193)	(498,694)
Non-Operating Revenues			
State operating grants	47,603	-	47,603
Federal operating grants	457,277	-	457,277
Donated commodities	38,562	-	38,562
Interest revenue	341	-	341
Other	75	-	75
Total non-operating revenues	543,858	-	543,858
Income (loss) before transfers	45,357	(193)	45,164
Transfers	(39,377)	(400)	(39,777)
Change in Net Position	5,980	(593)	5,387
Net Position - Beginning of Year	324,340	4,203	328,543
Net Position - End of Year	\$ 330,320	\$ 3,610	\$ 333,930

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014	Enterprise Fund Food Service	Community Education	Total
Cash Flows from Operating Activities			
Cash received from user charges	\$ 121,011	\$ 1,843	\$ 122,854
Cash payments to employees for services	(247,917)	-	(247,917)
Cash payments for contract services	(14,883)	-	(14,883)
Cash payments to suppliers for goods and services	(236,890)	-	(236,890)
Cash payments for other operating expenses	-	(1,968)	(1,968)
Net cash used in operating activities	(378,679)	(125)	(378,804)
Cash Flows from Noncapital Financing Activities			
Indirect cost transfer to general fund	(39,377)	-	(39,377)
Operating transfer to the special revenue fund	-	(400)	(400)
Non-operating grants received	463,249	-	463,249
Other	75	-	75
Net cash provided by (used in) noncapital financing activities	423,947	(400)	423,547
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(44,697)	-	(44,697)
Net cash used in capital and related financing activities	(44,697)	-	(44,697)
Cash Flows from Investing Activities			
Interest on investments	341	-	341
Net cash provided by investing activities	341	-	341
Net Increase (Decrease) in Cash	912	(525)	387
Cash - Beginning of Year	143,243	4,203	147,446
Cash - End of Year	\$ 144,155	\$ 3,678	\$ 147,833

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014	Enterprise Fund Food Service	Community Education	Total
Reconciliation of Operating Loss to Net Cash Used In Operating Activities			
Operating loss	\$ (498,501)	\$ (193)	\$ (498,694)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	18,802	-	18,802
Commodities received	38,562	-	38,562
On-behalf payments	41,631	-	41,631
Changes in assets and liabilities:			
Receivables	33,728	-	33,728
Inventories	(13,178)	-	(13,178)
Accounts payable	277	68	345
Net Cash Used In Operating Activities	\$ (378,679)	\$ (125)	\$ (378,804)

Noncash Activities

- The food service fund received \$38,562 of donated commodities from the federal government.
- The District received on-behalf payments of \$41,631 relating to insurance benefits.

See accompanying notes to the financial statements.

Russellville Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014	Agency Funds	Private Purpose Trust Funds
Assets		
Cash	\$ 93,804	\$ 40,661
Investments	-	463,716
Accounts receivable	1,343	-
Total assets	95,147	504,377
 Liabilities		
Accounts payable	4,650	-
Due to student groups	90,497	-
Total liabilities	95,147	-
 Net Position		
Held in trust for scholarships	-	504,377
Net Position	\$ -	\$ 504,377

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014	Private Purpose Trust Funds
Additions	
Contributions	\$ 500
Earnings on investments	16,601
Unrealized gain on investments	37,663
Total additions	54,764
Deductions	
Scholarships	15,231
Administrative fees	2,508
Total deductions	17,739
Change in Net Position	37,025
Net Position - Beginning of Year	467,352
Net Position - End of Year	\$ 504,377

See accompanying notes to the financial statements.

Russellville Independent School District Notes to 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 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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

● **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 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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

▶ **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.

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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

• **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.

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:

Description	Estimated Lives
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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

● ***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.

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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

● ***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 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 October 13, 2014, which was the date the financial statements were made available.

● ***New Accounting Pronouncements***

Recently Issued Accounting Pronouncements

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

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2014, the carrying amounts of the District's deposits were \$3,227,304 and the bank balances were \$3,677,962 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:

June 30,	2014
Governmental funds	\$ 2,945,006
Proprietary funds	147,833
Fiduciary funds	134,465
	\$ 3,227,304

▶ **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 \$3,677,962 was not exposed to custodial credit risk as of June 30, 2014.

• **Investments**

June 30, 2014			
General Fund Investments	Rating	Maturities	Fair Value
Money Market	N/R	On Demand	\$ 799
Federal Home Loan Mortgage Corporation	AAA	6/25/2023	2,146
Federal National Mortgage Association	AAA	3/25/2023	4,336
			\$ 7,281

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

June 30, 2014			
Trust Fund Investments	Rating	Maturities	Fair Value
Money Market	N/R	On Demand	\$ 24,444
Chicago IL Board of Education Bab GO	A+/A2/A	12/1/2021	20,325
KS Dev Fin Build America Bonds	AA/Aa2	11/1/2024	10,720
Benton Co Washington Pub	A+/Aa3/A+	11/1/2026	32,511
Paducah Kentucky Electric Plant Board Bonds	Aa3/A-	10/1/2023	32,837
Brier Creek Sch Bldg Corp in First MTG Build America Bonds	AA+	7/15/2024	21,677
Eastern Kentucky University General Receipts Series A	A+/Aa3	10/1/2027	15,561
Jefferson Co Health Facilities Rev Alliant Health Systems Inc	A	10/1/2027	5,354
Jefferson Co Health Facilities Rev Alliant Health Systems Inc	A	10/1/2027	25,905
Kentucky Economic Development Finance Authority Baptist Healthcare	A1/AA-	8/15/2042	15,694
Kentucky ST Mun Pwr Agy Pwr Sys Rev Prairie ST Proj Ser A	A/A3	9/1/2037	31,696
American Mutual Fund CL A	NR	-	77,854
Capital World Growth & Income Fund CL A	NR	-	82,646
Income Fund of America CL A	NR	-	66,492
			\$ 463,716

► *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 60% and 29% of the District's total General Fund investments, respectively.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

June 30, 2014	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 225,815	\$ -	\$ -	\$ 225,815
Total non-depreciable historical cost	225,815	-	-	225,815
Capital assets that are depreciated:				
Land improvements	1,285,552	-	-	1,285,552
Buildings and improvements	18,832,690	-	-	18,832,690
Technology Equipment	1,227,827	43,357	55,573	1,215,611
Vehicles	1,128,267	-	-	1,128,267
General	884,601	-	2,511	882,090
Total depreciable historical cost	23,358,937	43,357	58,084	23,344,210

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 3: Capital Assets (Continued)

June 30, 2014	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Less accumulated depreciation for:				
Land improvements	881,370	35,693	-	917,063
Buildings and improvements	5,841,329	438,652	-	6,279,981
Technology Equipment	919,266	103,745	55,573	967,438
Vehicles	675,376	53,530	-	728,906
General	444,910	41,665	2,511	484,064
Total accumulated depreciation	8,762,251	673,285	58,084	9,377,452
Total depreciable historical cost, net	14,596,686	(629,928)	-	13,966,758
Governmental Activities, Capital Assets, Net	\$ 14,822,501	\$ (629,928)	\$ -	\$ 14,192,573
Business-Type Activities:				
General	\$ 327,417	\$ 44,697	\$ 20,327	\$ 351,787
Less accumulated depreciation	210,810	18,802	20,327	209,285
Business-Type Activities, Capital Assets, Net	\$ 116,607	\$ 25,895	\$ -	\$ 142,502

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	2014
Instruction	\$ 54,613
Support services:	
Student Support	5,996
Instructional staff	17,574
District administration	22,355
School administration	2,408
Business support	645
Facilities operations	522,401
Student transportation	46,874
Other	419
Total Depreciation Expense	\$ 673,285

Russellville Independent School District
Notes to Financial Statements (Continued)

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%

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, 2014 for debt service (principal and interest) are as follows:

Year	Russellville Independent School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
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

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	
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
	\$2,137,212	\$ 7,169,630	\$ 455,616	\$ 1,530,570	\$ 11,293,028

Maturities of other debt, which consists of payments on KSBIT settlement, are as follows for the fiscal years ending:

June 30,	
2015	\$ 16,613
2016	9,547
2017	9,546
2018	5,827
2019	5,827
Thereafter	11,654
	\$ 59,014

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, 2014	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due within One Year
Bonds and notes payable:					
Bonds	\$9,174,650	\$ -	\$ (474,450)	\$8,700,200	\$ 490,200
Less: deferred issuance discount and premium	(126,559)	-	10,067	(116,492)	-
Total bonds and notes payable	9,048,091	-	(464,383)	8,583,708	490,200
Other liabilities:					
Other	19,238	59,014	(19,238)	59,014	16,613
Compensated absences	357,556	29,678	(50,581)	336,653	191,485
Total other liabilities	376,794	88,692	(69,819)	395,667	208,098
Total Long-Term Liabilities	\$9,424,885	\$ 88,692	\$ (534,202)	\$ 8,979,375	\$ 698,298

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, 2014, the District had \$65,612 as restricted for capital projects in the construction funds and \$37,796 restricted in the special revenue fund for technology and local grants.

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

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 5: Fund Balances (Continued)

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, 2014: \$ 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, 2014 was \$26,250. 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, 2014 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

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 6: Pension Plans (Continued)

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 11.355% 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 14.61%, for the Commonwealth and 1.50% for the District of annual covered payroll. The rate for CERS is 18.89%, 19.55% and 18.96% for the years ended June 30, 2014, 2013 and 2012, 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, 2014, 2013 and 2012 were \$241,770, \$258,543 and \$281,833, respectively, equal to the required contributions for each year.

For the year ended June 30, 2014, the Commonwealth contributed \$560,210 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, 2014 were \$151,453.

● **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 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.

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 6: Pension Plans (Continued)

Funding Policy — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013–2014 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

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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 under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment plan for the KSBIT members. The approved assessment plan does contain components which are subject to ongoing litigation. The payment plan from the assessment will begin subsequent to June 30, 2014; therefore, no liability from the assessment plan is reflected in the District's fund financial statements at June 30, 2014. The District has elected to pay the assessment amount over a seven year term starting in July 2014. The prior year initial estimated liability of the District was \$127,115; however, the current approved assessment plan reflects a lesser liability amount for the District in the amount of \$59,014. The difference of \$68,101 is reflected as a recovery for the settlement in the government-wide financial statements. See Note 4 for the recorded amount.

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:

Year ended June 30, 2014	
Fund	Amount
Community Education	\$ 593

Russellville Independent School District
Notes to Financial Statements (Continued)

Note 10: Fund Transfers

Fund transfers for the year ended June 30, 2014 consist of the following:

From fund	To fund	Purpose	Amount
General fund	Special revenue fund	Matching	\$ 39,910
General fund	Special revenue fund	Expenditures	15,256
Special revenue fund	Construction	Construction	9,665
SEEK	General fund	Expenditures	63,805
SEEK	Construction	Construction	31,526
FSPK	Construction	Construction	28,658
FSPK	Debt service	Debt service	662,490
Food service	General fund	Indirect costs	39,377
Community education	Special revenue fund	Expenditures	400

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, 2014, was \$1,837,388. These payments were recorded as follows:

Year ended June 30, 2014	
Fund	Amount
General Fund	\$ 1,653,887
Food Service Fund	41,631
Debt Service Fund	141,870
Total	\$ 1,837,388

Russellville Independent School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2014	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 2,354,000	\$ 2,354,000	\$ 2,477,253	\$ 123,253
State programs	5,995,400	6,078,480	6,082,946	4,466
Federal programs	16,500	16,500	27,638	11,138
Total revenues	8,365,900	8,448,980	8,587,837	138,857
Expenditures				
Current:				
Instruction	4,730,702	4,755,539	4,734,487	21,052
Support services:				
Student	508,233	508,233	502,581	5,652
Instructional staff	426,143	426,143	414,557	11,586
District administration	382,889	382,889	385,042	(2,153)
School administration	732,710	732,710	730,663	2,047
Business	418,045	423,045	393,776	29,269
Plant operations and maintenance	956,600	1,009,843	1,052,150	(42,307)
Student transportation	435,533	435,533	385,703	49,830
Other	910,385	910,385	-	910,385
Total expenditures	9,501,240	9,584,320	8,598,959	985,361

Russellville Independent School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2014	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Excess (Deficiency) of Revenues over Expenditures	(1,135,340)	(1,135,340)	(11,122)	1,124,218
Other Financing Sources (Uses)				
Operating transfers - net	13,077	13,077	48,016	34,939
Total other financing sources (uses)	13,077	13,077	48,016	34,939
Net Change in Fund Balance	(1,122,263)	(1,122,263)	36,894	1,159,157
Fund Balance - Beginning of Year	1,122,263	1,122,263	2,817,262	1,694,999
Fund Balance - End of Year	\$ -	\$ -	\$ 2,854,156	\$ 2,854,156

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

Year Ended June 30, 2014	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 25,969	\$ 40,969	\$ 63,808	\$ 22,839
State programs	582,119	582,522	547,005	(35,517)
Federal programs	939,989	938,365	903,331	(35,034)
Total revenues	1,548,077	1,561,856	1,514,144	(47,712)
Expenditures				
Current:				
Instruction	819,846	836,341	864,326	(27,985)
Support services:				
Student	75,047	75,047	73,084	1,963
Instructional staff	342,099	342,040	325,437	16,603
Plant operations and maintenance	136,665	86,714	50,489	36,225
Student transportation	43,545	40,908	57,754	(16,846)
Other	160,298	160,761	161,588	(827)
Total expenditures	1,577,500	1,541,811	1,532,678	9,133
Excess (Deficiency) of Revenues over Expenditures	(29,423)	20,045	(18,534)	(38,579)

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

Year Ended June 30, 2014	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to
	Original	Final		Actual
Other Financing Sources (Uses)				
Operating transfers - net	29,423	(20,045)	45,901	65,946
Total other financing sources (uses)	29,423	(20,045)	45,901	65,946
Net Change in Fund Balance	-	-	27,367	27,367
Fund Balance - Beginning of Year	-	-	10,429	10,429
Fund Balance - End of Year	\$ -	\$ -	\$ 37,796	\$ 37,796

Russellville Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2014	Construction Fund	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612
Total Assets	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612
Fund Balances					
Restricted	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612
Total Fund Balances	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612

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

Year Ended June 30, 2014	Construction Fund	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ 276,784	\$ -	\$ 276,784
Intergovernmental - state	-	95,331	414,364	141,870	651,565
Total revenues	-	95,331	691,148	141,870	928,349
Debt service:					
Principal	-	-	-	474,450	474,450
Interest	-	-	-	329,910	329,910
Building improvements	69,849	-	-	-	69,849
Total expenditures	69,849	-	-	804,360	874,209
Excess (Deficiency) of Revenues over Expenditures	(69,849)	95,331	691,148	(662,490)	54,140
Other Financing Sources (Uses)					
Operating transfers in	69,849	-	-	662,490	732,339
Operating transfers out	-	(95,331)	(691,148)	-	(786,479)
Total other financing sources (uses)	69,849	(95,331)	(691,148)	662,490	(54,140)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances - Beginning of Year	65,612	-	-	-	65,612
Fund Balances - End of Year	\$ 65,612	\$ -	\$ -	\$ -	\$ 65,612

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

June 30, 2014	Mary Hope Henry Music Scholarship Trust Fund	Other Scholarship Trust Funds	Total Private Purpose Trust Funds
Assets			
Cash	\$ -	\$ 40,661	\$ 40,661
Investments	463,716	-	463,716
Total assets	463,716	40,661	504,377
Net Position			
Held in trust for scholarships	463,716	40,661	504,377
Net Position	\$ 463,716	\$ 40,661	\$ 504,377

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

Year Ended June 30, 2014	Mary Hope Henry Music Scholarship Trust Fund	Other Scholarship Trust Funds	Total Private Purpose Trust Funds
Additions			
Contributions	\$ -	\$ 500	\$ 500
Earnings on investments	16,500	101	16,601
Unrealized gain on investments	37,663	-	37,663
Total additions	54,163	601	54,764
Deductions			
Scholarships	15,000	231	15,231
Administrative fees	2,189	319	2,508
Total deductions	17,189	550	17,739
Change in Net Position	36,974	51	37,025
Net Position - Beginning of Year	426,742	40,610	467,352
Net Position - End of Year	\$ 463,716	\$ 40,661	\$ 504,377

Russellville Independent School District
 Combining Statement of Net Position
 All School Activity Funds
 All Agency Funds

Year Ended June 30, 2014	Cash			Cash		Accounts	Accounts	Due to Student
	July 1, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Payable	Groups	June 30, 2014
Russellville High School	\$ 48,271	\$266,585	\$ 263,189	\$ 51,667	\$ 1,343	\$ 4,108	\$ 48,902	
Stevenson Elementary School	41,741	42,550	42,154	42,137	-	542	41,595	
Total	\$ 90,012	\$309,135	\$ 305,343	\$ 93,804	\$ 1,343	\$ 4,650	\$ 90,497	

Russellville Independent School District
Statement of Net Position
School Activity Funds
Russellville High School

Year Ended June 30, 2014	Cash			Cash June 30, 2014	Accounts Receivable	Accounts Payable	Due To Student Groups June 30, 2014
	July 1, 2013	Receipts	Disbursements				
8th Grade Dance	\$ -	\$ 290	\$ 150	\$ 140	\$ -	\$ -	\$ 140
8th Grade Trip	-	3,175	2,978	197	-	-	197
Academic Team	176	-	48	128	-	-	128
Alternative Center for Education	3	-	-	3	-	-	3
Ambassador	217	-	56	161	-	-	161
Archery	3,981	4,507	4,580	3,908	-	-	3,908
Art Club	15	3,468	2,859	624	-	-	624
Athletics	6,578	67,404	67,186	6,796	208	-	7,004
Band	39	1,137	1,006	170	-	-	170
Baseball	729	9,881	9,599	1,011	-	-	1,011
Belinda SC Scholarship	-	1,500	798	702	-	11	691
Beta Club	1,158	7,754	8,524	388	-	-	388
Board of Education	376	9,041	8,897	520	59	-	579
Book Club	-	876	867	9	-	-	9
Boys Basketball	3,997	9,503	7,157	6,343	-	179	6,164
Cheerleaders	191	7,956	8,147	-	-	-	-
Panther Dance Team	40	-	-	40	-	-	40
Drama	2,232	4,566	6,632	166	311	218	259
Fellowship of Christian Athletes	382	320	192	510	-	-	510
Material Fees	457	4,306	3,497	1,266	-	55	1,211
FCC Leaders of America	526	4,581	4,616	491	-	-	491
FMD	199	71	73	197	-	-	197
Football	800	25,920	26,358	362	-	-	362
General	29	6,106	3,452	2,683	85	-	2,768
Gifted/Talented	84	2,405	2,405	84	-	-	84
Girls Basketball	1,431	6,187	4,462	3,156	-	2,570	586
Golf	233	895	757	371	-	-	371

Russellville Independent School District
Statement of Net Position
School Activity Funds
Russellville High School
Due To Student

Year Ended June 30, 2014	Cash			Cash	Accounts	Accounts	Groups
	July 1, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Payable	June 30, 2014
Guidance	-	7,913	7,911	2	615	-	617
Jr. ACA	2,506	1,317	3,448	375	-	-	375
Jr. Athletics	4,978	8,915	10,730	3,163	-	-	3,163
Jr. Beta	1,425	10,857	10,930	1,352	-	34	1,318
Jr. Boys Basketball	143	1,377	1,196	324	-	-	324
Jr. Cheerleaders	1,412	2,260	3,563	109	-	-	109
Jr. Football	2,401	1,284	1,842	1,843	-	124	1,719
Jr. Girls Basketball	-	3,056	2,716	340	-	-	340
Jr. High Pep Club	331	221	90	462	-	-	462
Jr. Volleyball	68	918	863	123	-	-	123
Library	22	-	-	22	-	-	22
National Honor Society	28	929	866	91	-	-	91
Outdoorsman Club	36	-	-	36	-	-	36
Panthers R Us	723	16,413	15,767	1,369	-	12	1,357
Pep Club	31	145	176	-	-	-	-
Stem	1,353	736	1,873	216	-	-	216
STLP	238	784	511	511	-	-	511
RMS Box Tops	-	393	-	393	-	-	393
Senior Week	-	3,480	3,338	142	-	-	142
Senior Class	939	4,792	5,305	426	-	-	426
Shakespearean Festival	12	-	-	12	-	-	12
Soccer	369	1,311	1,375	305	-	-	305
Softball	457	1,605	787	1,275	-	-	1,275
Spanish Club	1,053	375	922	506	-	-	506
Swim Team	750	1,836	1,249	1,337	-	-	1,337
Teacher Lounge	453	1,523	1,634	342	65	5	402
RHS Tennis	2,204	1,260	2,212	1,252	-	168	1,084

Russellville Independent School District
Statement of Net Position
School Activity Funds
Russellville High School

Year Ended June 30, 2014	Cash			Cash	Accounts	Accounts	Due To Student
	July 1, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Payable	Groups
							June 30, 2014
Greenhouse	13	-	13	-	-	-	-
G/B Track	798	1,192	294	1,696	-	-	1,696
Volleyball	411	3,124	3,093	442	-	-	442
Yearbook	1,242	5,495	5,029	1,708	-	732	976
Youth Service Center	2	1,225	160	1,067	-	-	1,067
	\$ 48,271	\$ 266,585	\$ 263,189	\$ 51,667	\$ 1,343	\$ 4,108	\$ 48,902

Russellville Independent School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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			
Food Distribution Program - noncash	10.555	--	\$ 38,562
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 13	135,110
National School Lunch Program	10.555	7750002 13	322,167
Total U.S. Department of Agriculture			495,839
U.S. Department of Education			
Impact Aid	84.041	--	10,864
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I to Local Educational Agencies - 2012	84.010	3100002 11	111
Title I to Local Educational Agencies - 2013	84.010	3100002 12	174,274
Title I to Local Educational Agencies - 2014	84.010	3100002 13	311,018
Subtotal			485,403
Special Education Cluster			
Special Education - 2014	84.027	3810002 13	217,658
Special Education - 2013	84.027	3810002 12	34,332
Special Education - Preschool - 2014	84.173	3800002 13	34,962
Special Education - Preschool - 2013	84.173	3800002 12	818
Subtotal			287,770
English Language Acquisition Grants - 2014	84.365	3300002 13	3,419
English Language Acquisition Grants - 2013	85.365	3300002 12	837
Subtotal			4,256

See accompanying notes to the Schedule of Expenditures Federal Awards.

Russellville Independent School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Vocational Education - 2013	84.048	4621332 13	1,351
Vocational Education - 2014	84.048	3710002 13	<u>8,049</u>
Subtotal			9,400
Rural Education Achievement - 2014	84.358A	3140002 13	17,427
Improving Teacher Quality - 2014	84.367	3230002 13	49,335
Improving Teacher Quality - 2013	84.367	3230002 12	<u>5,653</u>
Subtotal			54,988
Race to the Top	84.413A	3960002 11	7,936
ARRA - School Improvement G Grant - LEAs YR 3	84.388A	4100302 09	3,574
Passed-Through Logan County Board of Education:			
Migrant Education - 2012	84.011	3112	875
Migrant Education - 2013	84.011	3113	13,066
Migrant Education - 2014	84.011	3114	<u>18,246</u>
Subtotal			32,187
Passed-Through State Workforce Cabinet:			
Community Based Work Transition	84.002	--	379
Total U.S. Department of Education			<u>914,184</u>
U.S. Department of Health and Human Services Passed-Through Barren River Area Development District :			
Family Caregiver Support Group - 2013	93.958	6903	(196)
Family Caregiver Support Group - 2014	93.958	6904	586
Total U.S. Department of Health and Human Services			390
Total Expenditures of Federal Awards			<u>\$ 1,410,413</u>

See accompanying notes to the Schedule of Expenditures Federal Awards.

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

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, 2014. 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

None



Carr, Riggs & Ingram, LLC

927 College Street
Bowling Green, Kentucky 42101
PO Box 104
Bowling Green, Kentucky 42102-0104
(270) 782-0700
(270) 782-0932 (fax)

167 South Main Street
Russellville, Kentucky 42276
(270) 726-7151
(270) 726-3155 (fax)

www.cricpa.com

**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, 2014, 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 October 13, 2014.

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

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 from 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 the *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.

**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 *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, 2014. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

- **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 of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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

Kentucky State Committee for School District Audits
Members of the Board of Education
Russellville Independent School District

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.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
October 13, 2014

Russellville Independent School District
Schedule of Findings and Questioned Costs

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

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

Russellville Independent School District
Comments and Recommendations

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or 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.



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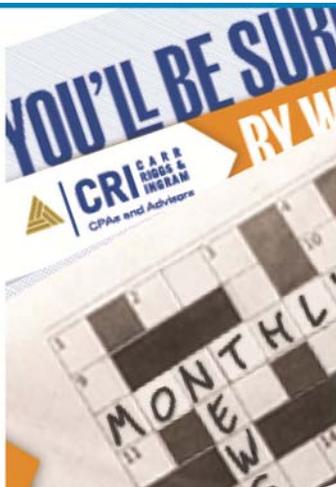
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