

**RACELAND-WORTHINGTON  
INDEPENDENT SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

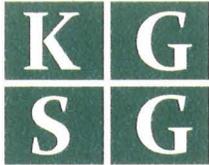
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 13 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of Raceland-Worthington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Galloway Smith Deolby, PSC*

November 9, 2015  
Ashland, Kentucky

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2015**

As management of the Raceland-Worthington Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's total debt payments were \$479,671 during the current fiscal year.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. The District's top facility priority in its current plan of record is the construction of a new Worthington Elementary building. The District's Superintendent is working with state government personnel to obtain funding for the project. The award notifications of this funding are scheduled within the next year.
- State funding for local school districts continues to be a concern. Funding from the state for facilities and day to day operations both need to be increased to ensure the best education for students in a safe and inviting setting.
- The General Fund had approximately \$7.5 million in revenue, which primarily consisted of the state program (SEEK), property, franchise, and motor vehicle taxes. Excluding inter-fund transfers, there were approximately \$7.4 million in General Fund expenditures.
- The District implemented GASB 68 this year. There are two sources of pension liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It had analysis performed by Cavanaugh Macdonald Consulting, LLC to determine each Kentucky school district's share of pension liabilities for its professional staff. This debt is the responsibility of the Commonwealth of Kentucky. Our allocated amount was \$28,904,004, as of June 30, 2014. Our non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$1,401,000, as of June 30, 2014. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 39 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3.6 million as of June 30, 2015.

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

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

## GOVERNMENT-WIDE BASIS

	<u>June 30, 2015</u>	<u>(Restated) June 30, 2014</u>
Current Assets	\$ 946,426	\$ 808,808
Noncurrent Assets	<u>12,112,366</u>	<u>12,543,930</u>
<b>Total Assets</b>	<u><u>13,058,792</u></u>	<u><u>13,352,738</u></u>
<b>Deferred Outflows</b>	302,453	284,859

Current Liabilities	726,081	693,425
Noncurrent Liabilities	8,830,133	9,454,577
<b>Total Liabilities</b>	<u>9,556,214</u>	<u>10,148,002</u>
<b>Deferred Inflows</b>	156,000	-
Net Position		
Net investment in capital assets	4,908,519	5,224,307
Restricted	10,458	2,876
Unrestricted	(1,269,946)	(1,737,588)
<b>Total Net Position</b>	<u>\$ 3,649,031</u>	<u>\$ 3,489,595</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2015 and 2014, respectively:

	<u>2015</u> Amount	<u>2014</u> Amount
<b>Revenues:</b>		
Local revenue sources	\$ 1,722,587	\$ 1,745,852
State revenue sources	7,987,255	6,932,999
Indirect Federal sources	792,027	758,793
Other revenues	135,098	59,749
Interest income	8,368	8,441
<b>Total revenues</b>	<u>10,645,335</u>	<u>9,505,834</u>
<b>Expenses:</b>		
Instruction	6,107,510	5,244,836
Student Support Services	231,474	248,633
Instructional Support	491,113	437,853
District Administration	430,854	517,495
School Administration	552,052	547,049
Business Support	297,585	336,737
Plant Operations	1,139,722	1,107,172
Student Transportation	289,173	284,965
Community Services	80,696	62,848
Food Service Operations	580,395	510,912
Debt service	285,325	265,163
<b>Total expenses</b>	<u>10,485,899</u>	<u>9,563,663</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 159,436</u>	<u>\$ (57,829)</u>

### Capital Assets

At the end of June 30, 2015, the District's investment in capital assets for its governmental and business-type activities was \$12,112,366, representing a decrease of \$431,564 net of depreciation, from the prior year.

### Debt Service

At year-end, the District had approximately \$7.4 million in outstanding debt, compared to \$7.8 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

## **FUND BASIS**

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2015 and 2014, net of inter-fund transfers and bond proceeds, were \$9.2 million and \$9.0 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$8.3 million and \$8.3 million, net of debt service and facilities construction for the fiscal years ended June 30, 2015 and 2014, respectively.

### **Comments on Budget Comparisons**

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenue balance being approximately \$26,937 less than budget.
- For fiscal year 2015 the carryover from previous years was used to cover expenditures to enhance the total educational program for our students and community. The remaining carryover monies are retained by the District to maintain financial security for the District.

## **FUTURE BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget for 2016 with \$359,940 in contingency (5.21%). The Governmental Funds beginning cash balance for beginning the fiscal year is \$603,786. There was no significant Board action that impacted the finances during the current year.

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 603,786	\$ 123,625	\$ 727,411
Receivables (net of allowances for uncollectibles):			
Taxes	24,441	-	24,441
Other	15,072	-	15,072
Intergovernmental - federal	140,082	-	140,082
Prepaid expenses	22,975	-	22,975
Inventories	-	16,445	16,445
Capital assets, not being depreciated	625,213	-	625,213
Capital assets, being depreciated, net	11,467,599	19,554	11,487,153
Total assets	<u>12,899,168</u>	<u>159,624</u>	<u>13,058,792</u>
<b>Deferred outflows of resources</b>			
Deferred savings from refunding bonds	112,893	-	112,893
Deferred pension contributions	171,587	17,973	189,560
Total deferred outflows of resources	<u>284,480</u>	<u>17,973</u>	<u>302,453</u>
<b>Liabilities</b>			
Cash overdraft	105,185	-	105,185
Accounts payable	18,389	-	18,389
Unearned revenue	34,897	-	34,897
Portion due or payable within one year:			
Debt obligations	517,410	-	517,410
Accrued interest	50,200	-	50,200
Noncurrent liabilities:			
Net pension liability	1,268,168	132,832	1,401,000
Portion due or payable after one year:			
Debt obligations	6,799,330	-	6,799,330
Accrued sick leave	629,803	-	629,803
Total liabilities	<u>9,423,382</u>	<u>132,832</u>	<u>9,556,214</u>
<b>Deferred inflows of resources</b>			
Deferred pension investment earnings	141,209	14,791	156,000
Total deferred inflows of resources	<u>141,209</u>	<u>14,791</u>	<u>156,000</u>
<b>Net Position</b>			
Net investment in capital assets	4,888,965	19,554	4,908,519
Restricted for:			
Debt service	38	-	38
Other	-	10,420	10,420
Unrestricted	(1,269,946)	-	(1,269,946)
Total net position	<u>\$ 3,619,057</u>	<u>\$ 29,974</u>	<u>\$ 3,649,031</u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	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
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 6,107,510	\$ -	\$ 808,656	\$ -	\$ (5,298,854)	\$ -	\$ (5,298,854)
Support services:							
Students	231,474	-	-	-	(231,474)	-	(231,474)
Instructional staff	491,113	-	21,917	-	(469,196)	-	(469,196)
District administration	430,854	-	-	-	(430,854)	-	(430,854)
School administration	552,052	-	-	-	(552,052)	-	(552,052)
Business and other support services	297,585	-	-	-	(297,585)	-	(297,585)
Operation and maintenance of plant	1,139,722	-	4,653	-	(1,135,069)	-	(1,135,069)
Student transportation	289,173	-	-	-	(289,173)	-	(289,173)
Community services	80,696	-	81,289	-	593	-	593
Debt service - interest	285,325	-	-	646,272	360,947	-	360,947
Total governmental activities	<u>9,905,504</u>	<u>-</u>	<u>916,515</u>	<u>646,272</u>	<u>(8,342,717)</u>	<u>-</u>	<u>(8,342,717)</u>
Business-type activities:							
Food service	580,395	167,870	415,148	-	-	2,623	2,623
Total business-type activities	<u>580,395</u>	<u>167,870</u>	<u>415,148</u>	<u>-</u>	<u>-</u>	<u>2,623</u>	<u>2,623</u>
Total primary government	<u>\$ 10,485,899</u>	<u>\$ 167,870</u>	<u>\$ 1,331,663</u>	<u>\$ 646,272</u>	<u>\$ (8,342,717)</u>	<u>\$ 2,623</u>	<u>\$ (8,340,094)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,379,302	\$ -	\$ 1,379,302
Motor vehicle					175,415	-	175,415
Intergovernmental revenues:							
State					6,801,347	-	6,801,347
Investment earnings					7,631	737	8,368
Other local revenues					135,098	-	135,098
Total general revenues					<u>8,498,793</u>	<u>737</u>	<u>8,499,530</u>
Change in net position					156,076	3,360	159,436
Net position, June 30, 2014, as restated					<u>3,462,981</u>	<u>26,614</u>	<u>3,489,595</u>
Net position, June 30, 2015					<u>\$ 3,619,057</u>	<u>\$ 29,974</u>	<u>\$ 3,649,031</u>

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

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 603,748	\$ -	\$ 38	\$ 603,786
Receivables (net of allowances for uncollectibles):				
Property taxes	24,441	-	-	24,441
Other	15,072	-	-	15,072
Intergovernmental - federal	-	140,082	-	140,082
Prepaid expenditures	22,975	-	-	22,975
Total assets	<u>\$ 666,236</u>	<u>\$ 140,082</u>	<u>\$ 38</u>	<u>\$ 806,356</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Cash overdraft	\$ -	\$ 105,185	\$ -	\$ 105,185
Accounts payable	18,389	-	-	18,389
Deferred revenue	-	34,897	-	34,897
Total liabilities	<u>18,389</u>	<u>140,082</u>	<u>-</u>	<u>158,471</u>
Fund balances:				
Restricted for accrued sick leave	74,673	-	-	74,673
Restricted for debt service	-	-	38	38
Non-spendable	22,975	-	-	22,975
Unassigned	550,199	-	-	550,199
Total fund balances	<u>647,847</u>	<u>-</u>	<u>38</u>	<u>647,885</u>
Total liabilities and fund balances	<u>\$ 666,236</u>	<u>\$ 140,082</u>	<u>\$ 38</u>	<u>\$ 806,356</u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

Fund balances—total governmental funds	\$	647,885
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,092,812
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds		
Deferred savings from refunding bonds		112,893
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred pension investment earnings	(141,209)	
Deferred pension contributions	<u>171,587</u>	30,378
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds financial statements.		
Net pension liability	(1,268,168)	
Bonds payable	(7,316,740)	
Accrued sick leave	(629,803)	
Accrued interest	<u>(50,200)</u>	<u>(9,264,911)</u>
Net position of governmental activities	\$	<u><u>3,619,057</u></u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes -				
Property	\$ 1,297,853	\$ -	\$ 81,449	\$ 1,379,302
Motor vehicles	164,309	-	11,106	175,415
Tuition and fees	47,952	-	-	47,952
Interest income	5,950	-	1,681	7,631
Other local revenues	75,275	11,871	-	87,146
Intergovernmental - State	6,066,123	457,117	646,272	7,169,512
Intergovernmental - Indirect federal	-	459,398	-	459,398
Total revenues	<u>7,657,462</u>	<u>928,386</u>	<u>740,508</u>	<u>9,326,356</u>
Expenditures:				
Current:				
Instruction	4,463,393	843,882	-	5,307,275
Support services:				
Students	236,138	-	-	236,138
Instructional staff	475,344	21,917	-	497,261
District administration	427,649	-	-	427,649
School administration	560,283	-	-	560,283
Business and other support services	309,164	-	-	309,164
Operation and maintenance of plant	776,480	4,653	-	781,133
Student transportation	273,397	-	-	273,397
Community services	-	81,289	-	81,289
Debt service	10,220	-	713,952	724,172
Total expenditures	<u>7,532,068</u>	<u>951,741</u>	<u>713,952</u>	<u>9,197,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,394</u>	<u>(23,355)</u>	<u>26,556</u>	<u>128,595</u>
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	1,381,038	1,381,038
Payment to refunded bond escrow agent	-	-	(1,351,649)	(1,351,649)
Transfers in	55,945	36,408	405,802	498,155
Transfers out	(23,355)	(13,053)	(461,747)	(498,155)
Total other financing sources and uses	<u>32,590</u>	<u>23,355</u>	<u>(26,556)</u>	<u>29,389</u>
Net change in fund balances	157,984	-	-	157,984
Fund balances, June 30, 2014	<u>489,863</u>	<u>-</u>	<u>38</u>	<u>489,901</u>
Fund balances, June 30, 2015	<u>\$ 647,847</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 647,885</u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances—total governmental funds \$ 157,984

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

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

Capital outlay	5,499	
Depreciation expense	<u>(432,841)</u>	(427,342)

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Bonds and refunding bonds issued	(1,375,000)	
Premiums and discounts on bonds and refunding bonds issued	(6,038)	
Payments to refunded bond escrow agent	<u>1,325,000</u>	(56,038)

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

Long-term portion of accrued sick leave		(54,230)
Amortization of deferred savings from refunding bonds		(12,895)
Amortization of bond discount		(24,372)
Change in accrued interest		(3,557)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenue	735,224	
KTRS on-behalf pension expense	(735,224)	
CERS contributions	171,586	
CERS Pension expense	<u>(101,380)</u>	70,206

Governmental funds do not report the effect of gain or losses on refunding of debt, whereas these amounts are deferred and amortized in the statement of activities. 26,649

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position. 479,671

Change in net position of governmental activities \$ 156,076

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2015**

	<u>Food Service Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 123,625
Receivables (net of allowances for uncollectibles)	
Other	-
Inventories	<u>16,445</u>
Total current assets	<u>140,070</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>19,554</u>
Total noncurrent assets	<u>19,554</u>
Total assets	<u>159,624</u>
<b>Deferred Outflows of Resources</b>	
Deferred pension contributions	<u>17,973</u>
Total deferred outflows of resources	<u>17,973</u>
Total assets and deferred outflows	<u><u>\$ 177,597</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>\$ -</u>
Total current liabilities	<u>-</u>
Noncurrent liabilities:	
Net pension liability	<u>132,832</u>
Total liabilities	<u>132,832</u>
<b>Deferred Inflows of Resources</b>	
Deferred earnings on pension investments	<u>14,791</u>
Total deferred inflows of resources	<u>14,791</u>
<b>Net Position</b>	
Invested in capital assets	19,554
Restricted	<u>10,420</u>
Total net position	<u>29,974</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 177,597</u></u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 167,870
Total operating revenues	<u>167,870</u>
Operating expenses:	
Salaries and wages	134,025
Employee benefits	95,678
Contract services	10,684
Materials and supplies	335,254
Depreciation	4,222
Other operating expenses	532
Total operating expenses	<u>580,395</u>
Operating loss	<u>(412,525)</u>
Nonoperating revenues :	
Federal grants	298,099
Investment income	737
On-behalf payments	77,250
Donated commodities	34,530
State grants	5,269
Total nonoperating revenue	<u>415,885</u>
Increase in net position	3,360
Net position, June 30, 2014, as restated	<u>26,614</u>
Net position, June 30, 2015	<u><u>\$ 29,974</u></u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 167,870
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(323,252)
Payments to employees	(141,379)
Other payments	(532)
Net cash used for operating activities	<u>(297,293)</u>
Cash flows from noncapital financing activities:	
Government grants	303,489
Net cash provided by noncapital and related financing activities	<u>303,489</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	-
Net cash used for capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest received on investments	737
Net cash provided by investing activities	<u>737</u>
Net increase in cash and cash equivalents	6,933
Cash and cash equivalents, June 30, 2014	<u>116,692</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 123,625</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (412,525)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,222
On-behalf payments	77,250
Donated commodities	34,530
Net pension adjustment	(7,354)
Change in assets and liabilities:	
Inventory	6,584
Accounts Payable	-
Net cash used for operating activities	<u>\$ (297,293)</u>
Non-cash items:	
Donated commodities	\$ 34,530
On-behalf payments	77,250

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 153,903
Accounts receivable	-
Total assets	<u>153,903</u>
 <b>Liabilities</b>	
Accounts payable	-
Due to students	<u>153,903</u>
Total liabilities	<u>153,903</u>
 <b>Net position held in trust</b>	 <u><u>\$ -</u></u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 1,268,368	\$ 1,335,491	\$ 1,297,853	\$ (37,638)
Motor vehicles	140,000	160,000	164,309	4,309
Tuition and fees	40,660	47,856	47,952	96
Interest income	2,000	2,000	5,950	3,950
Other local revenues	2,000	74,291	75,275	984
Intergovernmental - State	4,591,791	4,548,850	4,550,212	1,362
Total revenues	<u>6,044,819</u>	<u>6,168,488</u>	<u>6,141,551</u>	<u>(26,937)</u>
Expenditures:				
Current:				
Instruction	3,311,811	3,409,653	3,366,445	43,208
Support services:				
Students	258,478	258,178	220,688	37,490
Instructional staff	369,482	399,004	382,644	16,360
District administration	440,440	426,940	348,585	78,355
School administration	492,937	487,575	483,033	4,542
Business and other support services	232,012	221,012	262,815	(41,803)
Operation and maintenance of plant	649,538	715,067	699,231	15,836
Student transportation	252,271	255,058	242,496	12,562
Debt service	10,200	10,500	10,220	280
Contingency	424,809	440,470	-	440,470
Total expenditures	<u>6,441,978</u>	<u>6,623,457</u>	<u>6,016,157</u>	<u>607,300</u>
Excess (deficiency) of revenues over expenditures	<u>(397,159)</u>	<u>(454,969)</u>	<u>125,394</u>	<u>580,363</u>
Other financing sources (uses):				
Transfers in	-	55,945	55,945	-
Transfers out	(15,300)	(23,355)	(23,355)	-
Total other financing sources and uses	<u>(15,300)</u>	<u>32,590</u>	<u>32,590</u>	<u>-</u>
Net change in fund balances	(412,459)	(422,379)	157,984	580,363
Fund balances, June 30, 2014	<u>412,459</u>	<u>422,379</u>	<u>489,863</u>	<u>67,484</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 647,847</u>	<u>\$ 647,847</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 1,515,911	
On-behalf payments:				
Instruction			(1,096,948)	
Support Services				
Students			(15,450)	
Instruction Staff			(92,700)	
District administration			(79,064)	
School administration			(77,250)	
Business and other support services			(46,349)	
Operation and maintenance of plant			(77,249)	
Student transportation			<u>(30,901)</u>	
Fund balance, June 30, 2015 (GAAP basis)			<u>\$ 647,847</u>	

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local revenues	\$ 3,650	\$ 9,800	\$ 11,871	\$ 2,071
Intergovernmental - State	472,301	487,500	457,117	(30,383)
Intergovernmental - Indirect federal	467,711	472,425	459,398	(13,027)
Total revenues	<u>943,662</u>	<u>969,725</u>	<u>928,386</u>	<u>(41,339)</u>
Expenditures:				
Current:				
Instruction	850,913	880,612	843,882	36,730
Support services:				
Instructional staff	27,026	27,302	21,917	5,385
Operation and maintenance of plant	-	5,153	4,653	500
Community services	81,023	80,013	81,289	(1,276)
Total expenditures	<u>958,962</u>	<u>993,080</u>	<u>951,741</u>	<u>41,339</u>
Excess (deficiency) of revenues over expenditures	<u>(15,300)</u>	<u>(23,355)</u>	<u>(23,355)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	27,697	36,408	36,408	-
Transfers out	(12,397)	(13,053)	(13,053)	-
Total other financing sources and uses	<u>15,300</u>	<u>23,355</u>	<u>23,355</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(1) REPORTING ENTITY**

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

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

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

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

Raceland-Worthington Independent School District Finance Corporation

On January 2, 1990, Raceland-Worthington Independent Board of Education resolved to authorize the establishment of the Raceland-Worthington Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Raceland-Worthington Independent Board of Education also comprise the Corporation's Board of Directors.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Raceland-Worthington Independent School District substantially comply with accounting principles generally accepted in the United States and the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

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

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

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements - provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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

II. Proprietary Fund Type (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted,

matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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 deferred revenue.

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

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

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

#### Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2015 fiscal year was based was \$158,733,644.

The tax rates assessed for the year ended June 30, 2015 to finance general fund operations were \$.923 on real estate and \$.925 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015 were 89% of the tax levy.

#### In-Kind

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

#### Cash and Cash Equivalents

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

#### Inventories

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

## Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

## Interfund Balances

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

## Budgetary Process

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

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

## Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balance Reserves

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

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

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

### Net Position

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

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating

revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Pension

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

New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (13) for the effect of this adoption on beginning net position.

**(3) DEBT OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Greenup County Fiscal Court and the Raceland-Worthington Independent School District Finance Corporation ("RWISDFC"), aggregating \$8,490,534.

**Bonds**

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

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1999 KISTA	\$ 379,000	4.20-5.65%
2009 KISTA	86,249	2.00-3.90%
Issue of 2010	2,495,000	2.00-4.00%

Issue of 2010B	1,575,000	1.58-4.00%
Issue of 2012	2,280,000	1.05-2.25%
2015 KISTA	300,285	2.00-3.90%
Issue of 2015	1,375,000	1.00-2.25%
	<u>\$ 8,490,534</u>	

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

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

Description	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015
General obligation and KISTA bonds - \$8,490,534 originally issued with interest rates ranging from 1.00% to 5.65%	\$ 7,515,077	\$ 1,675,285	\$ 1,807,717	\$ 7,382,645
Less: unamortized discounts and premiums on bond issues	(96,315)	6,038	(24,372)	(65,905)
KSBIT payable	297,239	-	297,239	-
Accumulated unpaid sick leave benefits	575,573	54,230	-	629,803
	<u>\$ 8,291,574</u>	<u>\$ 1,735,553</u>	<u>\$ 2,080,584</u>	<u>\$ 7,946,543</u>

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

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2015 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Raceland-Worthington Independent School District		Total
	Principal	Interest	Principal	Interest	
2016	\$ 218,287	\$ 61,690	\$ 299,123	\$ 147,242	\$ 726,342
2017	223,920	57,482	309,209	138,563	729,174
2018	227,242	53,001	307,114	133,691	721,048
2019	231,653	47,470	314,586	127,117	720,826
2020	204,275	41,081	315,387	119,660	680,403
2021-2025	934,176	132,459	1,697,673	476,602	3,240,910
2026-2030	341,579	44,211	1,558,421	210,221	2,154,432
2031	25,011	500	174,989	3,500	204,000
	<u>\$ 2,406,143</u>	<u>\$ 437,894</u>	<u>\$ 4,976,502</u>	<u>\$ 1,356,596</u>	<u>\$ 9,177,135</u>

On February 1, 2015, the District issued \$1,375,000 in refunding bonds with an average rate of 1.63% to advance refund \$1,325,000 of the series of 2005 bonds with an average rate of 4.0%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded

bonds. Thus, the refunded bonds in the amount of \$1,325,000 are considered to be defeased and the liability for those bonds has been removed from liabilities.

This advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$26,649. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2025 using the straight-line method. Additionally, the District reduced its total debt service payments over the following 25 years by \$120,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$123,000.

### **KSBIT Payable**

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result, the District’s workers’ compensation portion of the liability was \$300,285. The District took the option of financing the liability over 10 years in the form of a 2015 bond issuance through the Kentucky Interlocal School Transportation Association (KISTA) in the amount of \$300,285.

#### **(4) ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015, the District followed the vesting method of calculation and the assumption that all vested employees with twenty-seven years of experience will retire from the District. Accordingly, a liability of \$629,803 is shown in the June 30, 2015 government-wide financial statements. The District has the option of funding up to 50% of the total amount accrued as a reservation of the General Fund balance. At June 30, 2015, the District had restricted \$74,673 for sick leave payout.

#### **(5) RETIREMENT PLANS**

##### Kentucky Teachers Retirement System

*Plan description:* Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive

monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

*Contributions:* Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.105% of their salaries to the System. University members are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.36% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### Medical Insurance Plan

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

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

*Funding policy:* In order to fund the post-retirement healthcare benefit, six percent (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	28,904,004
	<u>\$ 28,904,004</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .1407%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,416,355 and revenue of \$1,416,355 for support provided by the State.

*Actuarial Methods and Assumptions:* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	5.23%
Municipal Bond Index Rate	4.35%
Inflation	3.5%
Salary Increase	4.0-8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
	<u>100.0%</u>	

*Discount Rate:* The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 5.23%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	<u>1% Decrease (4.23%)</u>	<u>Current discount rate (5.23%)</u>	<u>1% Increase (6.23%)</u>
District's proportionate share of the net pension liability	\$ 38,161,622	\$ 28,904,004	\$ 23,958,452

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

#### County Employees Retirement System

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

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

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

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30 2014, the District's proportion was .0432%.

For the year ended June 30, 2015, the District recognized pension expense of \$112,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$189,560. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$156,000. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 31,200
2017	31,200
2018	31,200
2019	31,200
2019	31,200
	<u>\$ 156,000</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009.

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

the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield Fixed Income	5.0%	7.25%
Non US Fixed Income	5.0%	5.5%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

*Discount Rate:* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 %) or 1-percentage-point higher (8.75 %) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 1,844,373	\$ 1,401,000	\$ 1,010,344

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

*Payables to the pension plan:* At June 30, 2015 and 2014, there were no payables to CERS.

## (6) CASH AND CASH EQUIVALENTS

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

At June 30, 2015, the carrying amount of the Board's cash and cash equivalents was \$776,049 and the bank balances totaled \$1,083,772. Of the total bank balances, \$250,542 was insured by the Bank Insurance Fund and \$833,230 was secured by collateral held by the pledging banks in, the District's name.

General Fund cash and cash equivalents at June 30, 2015 consisted of a money market checking account.

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

These three levels of risks are as follows:

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

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

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

## (7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 625,213	\$ -	\$ -	\$ 625,213
Land improvements	684,801	-	-	684,801
Buildings and improvements	16,432,742	-	-	16,432,742
Technology equipment	562,717	-	(258,454)	304,263
Vehicles	670,288	-	-	670,288
General	600,616	5,499	-	606,115
Totals at historical cost	<u>19,576,377</u>	<u>5,499</u>	<u>(258,454)</u>	<u>19,323,422</u>
Less: accumulated depreciation -				
Land improvements	(502,397)	(21,548)	-	(523,945)
Buildings and improvements	(4,948,250)	(343,957)	-	(5,292,207)
Technology equipment	(538,009)	(13,145)	258,454	(292,700)
Vehicles	(581,455)	(32,981)	-	(614,436)
General	(486,112)	(21,210)	-	(507,322)
Total accumulated depreciation	<u>(7,056,223)</u>	<u>(432,841)</u>	<u>258,454</u>	<u>(7,230,610)</u>

Governmental Activities				
Capital Assets - Net	\$ 12,520,154	\$ (427,342)	\$ -	\$ 12,092,812
<u>Business - Type Activities</u>				
Food service equipment	\$ 197,824	\$ -	\$ (2,312)	\$ 195,512
Technology equipment	3,127	-	-	3,127
Totals at historical cost	<u>200,951</u>	<u>-</u>	<u>(2,312)</u>	<u>198,639</u>
Less: accumulated depreciation				
Food service and equipment	(174,576)	(356)	2,312	(172,620)
Technology equipment	(2,599)	(3,866)	-	(6,465)
Total accumulated depreciation	<u>(177,175)</u>	<u>(4,222)</u>	<u>2,312</u>	<u>(179,085)</u>
Business-Type Activities				
Capital Assets - Net	\$ 23,776	\$ (4,222)	\$ -	\$ 19,554

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 22,803
Student support services	1,042
Instructional staff	565
District administration	6,046
School administration	610
Business support services	869
Plant operation & maintenance	371,865
Student transportation	29,041
	<u>\$ 432,841</u>

## (8) CONTINGENCIES

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

## (9) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington, Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium. In some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverages may be requested that increase the premium.

The District purchases unemployment insurance through the Kentucky School Board Insurance Trust (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.

**(10) COBRA**

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

**(11) ON-BEHALF PAYMENTS**

For fiscal year 2015, the Commonwealth of Kentucky contributed payments on behalf of the Raceland-Worthington Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 681,131
Health and Life Insurance Plans	897,322
Federal Reimbursement	(33,456)
Technology	48,163
Debt Service	<u>276,797</u>
Recognized at the fund level	1,869,957
Additional pension expense recognized at the Government-wide level	<u>735,224</u>
	<u>\$ 2,605,181</u>

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

**(12) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	Capital Project Fund (FSPK and SEEK)	Debt Service Fund	Debt Service	\$ 405,802
Operating	General Fund	Special Revenue Fund	Match	23,355
Operating	Capital Project Fund (FSPK and SEEK)	General Fund	Capital Funds Request/ Reimbursement	55,945

**(13) CHANGE IN ACCOUNTING PRINCIPLE**

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position as previously reported at June 30, 2014	\$ 4,770,977	\$ 163,618	\$ 4,934,595
Prior period adjustment implementation of GASB 68: Net pension liability (measurement date as of June 30, 2013)	(1,476,217)	(154,503)	(1,630,720)
Deferred outflows District contributions made during fiscal year 2014	168,221	17,499	185,720
Total prior period adjustment	(1,307,996)	(137,004)	(1,445,000)
Net position as restated, June 30, 2014	<u>\$ 3,462,981</u>	<u>\$ 26,614</u>	<u>\$ 3,489,595</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	Reporting Fiscal Year (Measurement Date)	
	<u>2015</u>	
	<u>(2014)</u>	
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
District's proportion of the net pension liability		0.0432%
District's proportionate share of the net pension liability	\$	1,401,000
District's covered-employee payroll	\$	983,170
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		142.498%
Plan fiduciary net position as a percentage of the total pension liability		66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
District's proportion of the net pension liability		0.1407%
District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District	\$	28,904,004
Total	\$	<u>28,904,004</u>
District's covered-employee payroll	\$	4,358,276
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.000%
Plan fiduciary net position as a percentage of the total pension liability		45.590%

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ 189,560	\$ 185,720
Contributions in relation to the contractually required contribution	<u>189,560</u>	<u>185,720</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,002,120	\$ 983,170
District's contributions as a percentage of its covered-employee payroll	18.92%	18.89%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 4,457,779	\$ 4,358,276
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS

There were no changes of assumptions.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**(3) CHANGES OF BENEFITS**

There were no changes of benefit terms for KTRS or CERS.

**SUPPLEMENTARY INFORMATION**

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015**

	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 38	\$ 38
Accounts receivable	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 38</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted for capital expenditures	-	-	-
Restricted for debt service	-	38	38
Total fund balance	<u>-</u>	<u>38</u>	<u>38</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 38</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
<b>REVENUES:</b>			
From local sources -			
Property taxes	\$ 81,449	\$ -	\$ 81,449
Motor vehicle taxes	11,106	-	11,106
Earnings on investments	-	1,681	1,681
Intergovernmental - State	369,192	277,080	646,272
Total revenues	<u>461,747</u>	<u>278,761</u>	<u>740,508</u>
<b>EXPENDITURES:</b>			
Current -			
Facilities acquisition and construction	-	-	-
Debt service	-	713,952	713,952
Total expenditures	<u>-</u>	<u>713,952</u>	<u>713,952</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>461,747</u>	<u>(435,191)</u>	<u>26,556</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from issuance of debt	-	1,381,038	1,381,038
Payment to refunded bond escrow agent	-	(1,351,649)	(1,351,649)
Operating transfers in	-	405,802	405,802
Operating transfers out	(461,747)	-	(461,747)
Total other financing sources (uses)	<u>(461,747)</u>	<u>435,191</u>	<u>(26,556)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCE JUNE 30, 2014</b>	<u>-</u>	<u>38</u>	<u>38</u>
<b>FUND BALANCE JUNE 30, 2015</b>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 38</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2015**

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

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	FSPK Fund	SEEK Funds	Construction Fund	Total Capital Project Funds
<b>REVENUES:</b>				
From local sources -				
Property taxes	\$ 81,449	\$ -	\$ -	\$ 81,449
Motor vehicle taxes	11,106	-	-	11,106
Earnings on investments	-	-	-	-
Intergovernmental - State	271,880	97,312	-	369,192
Total revenues	<u>364,435</u>	<u>97,312</u>	<u>-</u>	<u>461,747</u>
<b>EXPENDITURES:</b>				
Current -				
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>364,435</u>	<u>97,312</u>	<u>-</u>	<u>461,747</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(364,435)	(97,312)	-	(461,747)
Total other financing sources (uses)	<u>(364,435)</u>	<u>(97,312)</u>	<u>-</u>	<u>(461,747)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	2010 Bond Fund	2010B Bond Fund	2012 Bond Fund	2015 Bond Fund	KISTA Bond Fund	Totals Debt Service Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 28	\$ -	\$ 10	\$ -	\$ -	\$ 38
Total assets	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted for debt service	28	-	10	-	-	38
Total fund balance	<u>28</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>38</u>
Total liabilities and fund balances	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	2005 Bond Fund	2010 Bond Fund	2010B Bond Fund	2012 Bond Fund	2015 Bond Fund	KISTA Bond Fund	Totals Debt Service Funds
REVENUES:							
Intergovernmental - State	\$ 36,216	\$ 49,911	\$ 31,012	\$ 125,220	\$ 7,029	\$ 27,692	\$ 277,080
Interest income	-	-	-	-	1,681	-	1,681
Total revenues	<u>36,216</u>	<u>49,911</u>	<u>31,012</u>	<u>125,220</u>	<u>8,710</u>	<u>27,692</u>	<u>278,761</u>
EXPENDITURES:							
Debt service	135,465	173,900	80,353	245,487	51,055	27,692	713,952
Total expenditures	<u>135,465</u>	<u>173,900</u>	<u>80,353</u>	<u>245,487</u>	<u>51,055</u>	<u>27,692</u>	<u>713,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,249)</u>	<u>(123,989)</u>	<u>(49,341)</u>	<u>(120,267)</u>	<u>(42,345)</u>	<u>-</u>	<u>(435,191)</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from issuance of debt	-	-	-	-	1,381,038	-	1,381,038
Payment to refunded bond escrow agent	-	-	-	-	(1,351,649)	-	(1,351,649)
Operating transfers in	99,249	123,989	49,341	120,267	12,956	-	405,802
Total other financing sources (uses)	<u>99,249</u>	<u>123,989</u>	<u>49,341</u>	<u>120,267</u>	<u>42,345</u>	<u>-</u>	<u>435,191</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-	-
FUND BALANCE JUNE 30, 2014	-	28	-	10	-	-	38
FUND BALANCE JUNE 30, 2015	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2015
Raceland-Worthington Independent High School	\$ 158,156	\$ 442,397	\$ 467,476	\$ 133,077	\$ -	\$ -	\$ 133,077
Campbell Elementary	20,679	38,883	51,379	8,183	-	-	8,183
Worthington Elementary	7,557	52,686	47,600	12,643	-	-	12,643
	<u>\$ 186,392</u>	<u>\$ 533,966</u>	<u>\$ 566,455</u>	<u>\$ 153,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,903</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**RACELAND-WORTHINGTON INDEPENDENT HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
7th & 8th Schedule	\$ -	\$ 2,892	\$ 1,760	\$ (1,132)	\$ -	\$ -	\$ -
AP Account	314	240	210	-	344	-	344
Archery Club	3,200	11,865	14,625	-	440	-	440
Art Account	1,018	50	500	(568)	-	-	-
Art Class	-	-	259	568	309	-	309
Arts/Music Scholarship	398	-	-	-	398	-	398
Athletic Allotment	-	9,441	8,644	(759)	38	-	38
Athletic Director	73	70	53	-	90	-	90
B Basketball Fund R.	1,519	1,725	2,638	2,781	3,387	-	3,387
Band	73	3,282	3,280	(75)	-	-	-
Band Booster	6,938	17,674	19,328	(3,001)	2,283	-	2,283
Band/Chicago Trip	1,635	18,944	24,080	3,501	-	-	-
Baseball	831	11,785	11,797	-	819	-	819
Baseball Fundraisers	4,084	1,872	1,670	(1,000)	3,286	-	3,286
Baseball Spring Trip	1,337	-	-	-	1,337	-	1,337
Baseball/DA	-	120	120	-	-	-	-
Beta/FBLA/Key Clubs	-	80	-	(80)	-	-	-
Boys Basketball	3,988	30,925	25,929	(3,127)	5,857	-	5,857
Boys Basketball	230	1,294	1,294	-	230	-	230
Boys Basketball Camp	-	4,145	3,120	-	1,025	-	1,025
Boy's Golf	1,009	1,200	2,209	-	-	-	-
Boy's Track & Field	896	23,015	22,062	-	1,849	-	1,849
Calculator Batteries	1,224	1,089	880	(1,433)	-	-	-
Cash-Tickets	-	2,000	2,000	2,000	2,000	-	2,000
Chorus	2,174	6,976	8,059	-	1,091	-	1,091
Chorus/DA	-	400	400	-	-	-	-
College Course	14,048	7,791	2,730	(3,597)	15,512	-	15,512
Computer Classes	782	-	48	(734)	-	-	-
Credit Recovery	1,877	2,410	-	-	4,287	-	4,287
Cross-Country	97	3,026	1,405	-	1,718	-	1,718
Cultural Arts Center	745	4,445	2,745	390	2,835	-	2,835
Dance Team	880	3,551	1,619	-	2,812	-	2,812
Dance Team/RWHS	-	-	-	-	-	-	-
Drama Club	3,098	1,601	816	-	3,883	-	3,883
Eighth Grade Class	700	1,360	111	(28)	1,921	-	1,921
FBLA	2,607	3,605	4,201	(280)	1,731	-	1,731
FBLA/Yearbook	20	-	-	(20)	-	-	-
FCA	40	-	-	-	40	-	40
FHA/FCCLA	1,541	330	914	-	957	-	957
Field Trip	-	435	375	(55)	5	-	5
Flower Fund	60	120	169	-	11	-	11
Football	7,941	47,125	54,612	1,040	1,494	-	1,494
Football Coaches	41	-	-	(41)	-	-	-
Forensics Class	76	-	-	(76)	-	-	-
Freshman Class	986	233	-	514	1,733	-	1,733
Freshman Schedule	-	666	635	(31)	-	-	-
FRYSC High School	-	5,500	-	-	5,500	-	5,500
Girls Basketball	3,371	8,980	9,191	2,251	5,411	-	5,411
Girls BB Fundraisers	3,658	4,046	7,871	6,270	6,103	-	6,103
Girl's Golf	-	1,315	1,314	-	1	-	1
Girls Roundball	5,463	2,757	1,069	(5,988)	1,163	-	1,163
Girls Softball	1,474	4,059	4,326	-	1,207	-	1,207
Girl's Track & Field	861	7,010	7,047	-	824	-	824
Girls Volleyball	846	2,639	3,461	-	24	-	24

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**RACELAND-WORTHINGTON INDEPENDENT HIGH SCHOOL (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
Home Ec HS Fund	\$ -	\$ 220	\$ 555	\$ 572	\$ 237	\$ -	\$ 237
Home Economics	2,357	192	1,977	(572)	-	-	-
JR & SR Hi Academics	428	975	716	150	837	-	837
Jr Beta Club	140	3,731	2,495	-	1,376	-	1,376
Jr Hi Football	876	3,440	4,086	-	230	-	230
Jr Hi Lost/Rental	370	-	-	(370)	-	-	-
Jr High Cheerleaders	1	-	-	(1)	-	-	-
Junior Class	2,892	6,567	4,949	(607)	3,903	-	3,903
Junior Schedule	-	2,531	1,219	(1,292)	20	-	20
JV Cheerleading	-	-	-	-	-	-	-
Key Club	69	1,267	1,074	331	593	-	593
Latin Honor Society	1	76	77	16	16	-	16
Lego Robotics	748	-	358	-	390	-	390
Library	116	-	116	-	-	-	-
Library Paper Account	89	-	589	500	-	-	-
Lockers/Library	2,666	2,088	4,254	(500)	-	-	-
Lost/Rental/Textbooks	5,784	1,577	12,221	4,907	47	-	47
Miscellaneous	921	3,269	10,426	8,134	1,898	-	1,898
Miscellaneous/DA	-	-	300	300	-	-	-
MS Boys Basketball	3,205	4,094	4,933	-	2,366	-	2,366
MS Girls Basketball	532	1,903	1,971	1,000	1,464	-	1,464
MS Volleyball	2,290	7,435	9,043	(32)	650	-	650
Pep Club	492	106	200	-	398	-	398
Pop Machine	4,928	11,103	7,710	(3,000)	5,321	-	5,321
Program ADS/Basetball	-	-	-	-	-	-	-
Program-AD/DA	-	1,900	1,900	-	-	-	-
Rams Incentive Programs	505	1,496	1,630	-	371	-	371
Rebound/Concession	3,935	9,204	10,416	(2,680)	43	-	43
Relay for Life	252	-	-	(252)	-	-	-
RWEA	2,748	405	291	-	2,862	-	2,862
Scholarship Fund	-	1,600	1,300	-	300	-	300
School Fundraiser	-	-	-	-	-	-	-
Senior Class	3,005	3,247	4,450	(113)	1,689	-	1,689
Senior Class Trip	213	9,896	11,364	2,547	1,292	-	1,292
Senior Schedule	-	2,637	938	(1,699)	-	-	-
Seventh Grade Class	372	611	-	(372)	611	-	611
Softball Fundraisers	864	6,809	6,165	-	1,508	-	1,508
Softball Spring Trip	-	5,956	6,956	1,000	-	-	-
Softball/DA	-	2,322	2,322	-	-	-	-
Sophomore Schedule	-	3,935	1,463	(2,472)	-	-	-
Sophomore Class	1,525	992	174	(538)	1,805	-	1,805
Spanish Club	8	382	120	-	270	-	270
Spanish Cruise Fund	24	648	672	-	-	-	-
Spanish Honor Society	63	1,643	1,527	-	179	-	179
Spanish/Beta Fundraiser	307	1,156	384	(400)	679	-	679
Special Ed Dept Fr	161	624	777	-	8	-	8
Special Ed/DA	-	1,632	1,907	275	-	-	-
Sr Beta Club	3,057	8,167	8,062	(150)	3,012	-	3,012
Stone Scholarship Fund	2,450	-	1,000	-	1,450	-	1,450
Student Council	413	300	220	-	493	-	493
Technical Student	779	2,923	4,094	500	108	-	108
Technology Education	2,213	200	1,912	(501)	-	-	-
Tennis	1	3,699	3,537	(73)	90	-	90
Varsity Cheerleading	11,382	42,654	46,129	77	7,984	-	7,984
Volleyball Fundraiser	1,229	6,969	6,179	(2,019)	-	-	-
Workbooks	751	-	-	(751)	-	-	-
Yearbook	10,841	5,728	12,742	795	4,622	-	4,622
<b>Total</b>	<u>\$ 158,156</u>	<u>\$ 442,397</u>	<u>\$ 467,476</u>	<u>\$ -</u>	<u>\$ 133,077</u>	<u>\$ -</u>	<u>\$ 133,077</u>

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through Kentucky Department of Juvenile Justice				
Title I Program for Neglected and Delinquent Children	84.010	3100102-14	\$ 71,737	\$ 71,737
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-14	153,109	153,109
Special Education Cluster (IDEA):				
Special Education Grants to States -IDEA, Part B	84.027	3810002-14	173,966	173,966
Special Education Grants to States -IDEA, Part B	84.027	3810002-12	39	39
Special Education Preschool Grants	84.173	3800002-14	1,943	1,943
				<u>175,948</u>
Improving Teacher Quality State Grants	84.367	3230002-14	33,513	33,513
Race to the Top Grant	84.413	3960002-11	2,945	2,945
Title I Program for Neglected and Delinquent Children	84.013	3100102-14	15,840	15,840
Vocational Education Basic Grants to States	84.048	371002-14	6,044	6,044
Vocational Education Basic Grants to States	84.048	4621332-13	262	262
				<u>6,306</u>
Total U.S. Department of Education				<u>459,398</u>
<u>U.S. Department of Agriculture</u>				
Child Nutrition Cluster:				
Passed through State Department of Education:				
National School Lunch Program	10.555	7750002-15	-	183,346 *
National School Lunch Program	10.555	7750002-14	-	39,852 *
School Breakfast Program	10.553	7760005-15	-	61,845 *
School Breakfast Program	10.553	7760005-14	-	13,056 *
				<u>298,099</u>
Non-Cash Assistance				
National School Lunch Program - Food Donation	10.555	7750002-15	-	34,530 *
Total U.S. Department of Agriculture				<u>332,629</u>
Total Federal Assistance				<u>\$ 792,027</u>

\* Denotes major program.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Raceland-Worthington Independent School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Raceland-Worthington Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, commodities on hand of \$10,350 are included in the total inventory.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 9, 2015.

### **Purpose of this Report**

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

*Kelley Galloway Smith Goolsby, PSC*

November 9, 2015  
Ashland, Kentucky



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

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

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

We have audited Raceland-Worthington Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. Raceland-Worthington Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of Raceland-Worthington Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Raceland-Worthington Independent School District's internal control over compliance.

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

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

## Purpose of this Report

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

*Kelley Galloway Smith Galsby, PSC*

November 9, 2015  
Ashland, Kentucky

RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

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

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2015:

Child Nutrition Cluster (10.553 and 10.555)

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

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

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

None noted in the current year.

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted in current year.

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings in the prior year.



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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

In planning and performing our audit of the financial statements of Raceland-Worthington Independent School District (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated November 9, 2015, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Kelley Galloway Smith Goolsby, PSC*

November 9, 2015  
Ashland, Kentucky

**RACELAND-WORTHINGTON INDEPENDENT SCHOOL DISTRICT**

**MANAGEMENT LETTER POINTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**Activity Funds – Dual Signatures**

*Condition:* While reviewing disbursements made from the high school activity funds, we noted that check number 33805 was not signed by the secretary and the principal.

*Criteria:* The Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states that “Signature controls are an important aspect of accounting procedures, therefore two signatures should be required on all checks that result in a disbursement from the school activity fund.”

*Cause:* A note was attached to disbursement documentation stating that the secretary was sick and unavailable to sign the check.

*Effect:* Noncompliance with Redbook requirements.

*Recommendation:* We recommend that all checks issued from the activity funds contain dual signatures, in accordance with Redbook requirements.

*Management’s Response:* Additional training will be provided as necessary to all employees that are involved with the school’s activity funds.

**Follow-up on Prior Year Recommendations**

The prior year conditions have been implemented and corrected.