

**RUSSELL INDEPENDENT  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2022**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

# TABLE OF CONTENTS

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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	3-5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	6-10
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements -</b>	
Statement of Net Position .....	11
Statement of Activities.....	12
<b>Fund Financial Statements -</b>	
Balance Sheet - Governmental Funds .....	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position - Proprietary Funds.....	17
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	18
Statement of Cash Flows - Proprietary Funds.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund.....	21
Notes to Financial Statements.....	22-53
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Schedule of District's Proportionate Share of the Net Pension Liability .....	54
Schedule of Pension Contributions.....	55
Schedule of District's Proportionate Share of the Net OPEB Liability.....	56-57
Schedule of OPEB Contributions .....	58-59
Notes to Required Supplementary Information - Pension Plans .....	60-62
Notes to Required Supplementary Information - OPEB Plans.....	63-65
<b>SUPPLEMENTAL INFORMATION:</b>	
Combining Balance Sheet - Non-Major Governmental Funds.....	66
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Non-Major Governmental Funds.....	67
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Debt Service Funds.....	68
Statement of Changes in Assets and Liabilities - School Activity Funds.....	69
Statement of Changes in Assets and Liabilities - Russell High School Activity and Scholarship Funds .....	70-71
Schedule of Expenditures of Federal Awards .....	72-73

<b>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 <i>GOVERNMENT AUDITING STANDARDS</i> .....</b>	<b>74-75</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .....</b>	<b>76-78</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....</b>	<b>79</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .....</b>	<b>80</b>
<b>INDEPENDENT AUDITOR'S TRANSMITTAL LETTER FOR MANAGEMENT LETTER POINTS.....</b>	<b>81</b>
<b>MANAGEMENT LETTER POINTS.....</b>	<b>82</b>

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

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgcpa.com](http://www.ksgcpa.com) Member of  **Allinal** GLOBAL

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Russell Independent School District  
Flatwoods, Kentucky

### *Opinions*

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 Russell Independent School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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 accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 10 and the Schedule of Proportionate Share of the Net Pension and OPEB Liability and Schedule of Pension and OPEB Contributions on pages 54 through 65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplemental schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental schedules 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 supplemental information is 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 10, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Hallaway Smith Hooley, PSC*

Ashland, Kentucky  
November 10, 2022

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2022**

As management of the Russell 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, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the report.

**FINANCIAL HIGHLIGHTS**

- The General Fund ending fund balance for the District increased from \$4.2 million at June 30, 2021 to \$5.1 million at June 30, 2022. The increase is due to unprecedented tax collections above budget (highest collection percentage in our District's history) and an increase in SEEK (Supporting Education Excellence in Kentucky) funding for payment of full-day kindergarten.
- The General Fund had \$23.2 million in revenue, of which 64.9% consisted of state funding (SEEK program and on-behalf payments for insurance and retirement) and 32.8% in property, utilities, and motor vehicle taxes. Expenditures totaled \$22.3 million (including on-behalf payments) for the General Fund. Wages and benefits were 83.7% of total General Fund expenditures. The District continues to lead our region in certified staff (teacher) wages and certified years of experience, which allows us to impact our children with highly-skilled professionals. During the 2021-2022 year, our average certified teacher wage was \$56,074, or 16th highest of 171 districts. The state-wide teacher average was \$55,016 for the same year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping the Kentucky Department of Education (KDE) stringent compliance regulations. The District made \$881,359 in bond payments during the 2021-22 year. The School Facilities Construction Commission of the state of Kentucky also either assists or fully pays certain outstanding debt. This totaled \$431,896 for the fiscal year
- Average Daily Attendance (ADA) drives our portion of SEEK and is the largest source of revenue for the District. The Commonwealth of Kentucky amended their law to now pay full day attendance for our kindergarten students. The District was funded based upon 2,107.63 students for 2021-2022, which is up from 2,033.54 in the previous year. Due to the Pandemic, the Department of Education froze the funding mechanism for the current year at the 2018-2019 ADA amount.
- At the end of the fiscal year, the District began a small construction project to create a multi-purpose building to be used primarily for our baseball and softball teams to have an indoor practice facility. This is expected to be completed in the late winter of 2023 and have an approximate cost of \$800,000. The District will fund with \$300,000 from the General Fund and will bond the remaining balance.
- The United States Department of Agriculture continued a waiver to allow our District to participate in the Seamless Summer Option food program for 2021-2022. We normally do not qualify for this program due to our free and reduced percentages not at the required 50% of student population. This waiver allowed the District to serve free meals to all students at our school sites. The reimbursement rates from the program, along with funding from Congress which passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Elementary and Secondary School Emergency Relief Fund in 2020 and 2021 has helped replenish the Food Service fund balance as of June 30, 2022 to the highest balance to date.
- The financial statements include payments made by the Commonwealth of Kentucky for retirement, bond payments, health insurance, life insurance, administrative fees, technology and utilization of the Russell Area Vocational School by our students. The total amount was \$6.4 and \$6.2 million for 2022 and 2021 fiscal years, respectively. This amount is shown as both revenue

and an expense in the financial statements, and, therefore, does not affect the fund position of the District. The significant increase in the amount is due to requirements made by the Governmental Accounting Standards Board as discussed in the Notes to the Financial Statements.

## 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, 2) fund, 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, and student transportation. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

The basic governmental fund financial statements can be found on pages 13 through 21 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 through 53 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 and deferred outflows exceeded liabilities and deferred inflows by approximately \$3.86 and \$2.05 million as of June 30, 2022 and 2021, respectively.

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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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



**Net Position comparison for the periods ending June 30, 2022 and 2021**

The District's net position is shown comparatively as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current Assets	\$ 7,519,462	\$ 5,783,825
Noncurrent Assets	23,915,786	24,970,191
Total Assets	<u>\$ 31,435,248</u>	<u>\$ 30,754,016</u>
Deferred outflows of resources	<u>\$ 3,987,229</u>	<u>\$ 3,219,550</u>
Current Liabilities	\$ 2,028,701	\$ 1,745,904
Noncurrent Liabilities	24,598,375	27,425,353
Total Liabilities	<u>\$ 26,627,076</u>	<u>\$ 29,171,257</u>
Deferred inflows of resources	<u>\$ 4,937,198</u>	<u>\$ 2,756,428</u>
Net Position		
Net investment in capital assets	\$ 11,251,287	\$ 11,222,018
Restricted	216,137	(236,045)
Unrestricted	<u>(7,609,221)</u>	<u>(8,940,092)</u>
Total Net Position	<u>\$ 3,858,203</u>	<u>\$ 2,045,881</u>

The overall net position for 2022 as compared to 2021 increased approximately \$1.8 million.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2022, with comparison to 2021.

	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 8,702,026	\$ 8,069,380
State Revenue Sources	6,410,379	7,752,096
Federal Revenue	4,784,616	2,903,646
Total Revenues	<u>19,897,021</u>	<u>18,725,122</u>
<b>Expenses:</b>		
Instruction	7,450,592	8,991,324
Student Support Services	501,039	571,324
Instructional Support	2,060,751	1,725,073
District Administration	817,401	776,542
School Administration	747,819	872,456
Plant Operations	3,238,531	3,103,791
Student Transportation	959,650	798,917
Business and Other Support Services	256,553	272,058
Community Services	116,350	125,635
Debt Service	290,615	372,029
Food Service	1,454,991	1,160,653
Child Care Operations	190,407	121,944
Total Expenses	<u>18,084,699</u>	<u>18,891,746</u>
Revenues in Excess (Deficiency) of Expenses	<u>\$ 1,812,322</u>	<u>\$ (166,624)</u>

## FUND FINANCIAL ANALYSIS

The decrease in expenditures was primarily due to the Board of Education's one time supplemental payment of \$1,500 in the prior year to each employee due to the great difficulty the pandemic placed upon every aspect of the learning environment. Of the total General Fund expenditures, indicated for 2022 and 2021 respectively; site-based councils and student support expended 77.2% and 74.8%, 12.0% and 10.7% was spent for maintenance and operations, 6.5% and 6.9% on special needs students, 6.0% and 4.7% on administration, and 3.9% and 2.7% on transportation.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2022 and 2021 for selected funds:

	<u>June 30, 2022</u>					
	General Fund	Special Revenue	Project and Activity	Food Service	Child Care Funds	Total
<b>Revenues:</b>						
Local revenue sources	\$7,642,129	\$ 17,965	\$ 920,192	\$ 36,603	\$ 85,137	\$ 8,702,026
State revenue sources	15,078,970	549,646	1,177,756	78,922	12,643	16,897,937
Federal revenue	351,211	2,887,569	-	1,545,836	-	4,784,616
Transfers	87,058	52,033	1,040,329	4,376	-	1,183,796
<b>Total Revenues</b>	<u>23,159,368</u>	<u>3,507,213</u>	<u>3,138,277</u>	<u>1,665,737</u>	<u>97,780</u>	<u>31,568,375</u>
<b>Expenses:</b>						
Instruction	12,932,090	2,327,272	342,494	-	-	15,601,856
Student support	965,583	161,437	-	-	-	1,127,020
Instructional support	1,778,400	750,653	47,746	-	-	2,576,799
District administration	974,989	-	-	-	-	974,989
School administration	1,514,624	-	-	-	-	1,514,624
Business support	364,145	-	-	-	-	364,145
Plant operations	2,668,532	55,723	2,285	-	-	2,726,540
Student transportation	857,675	7,928	-	-	-	865,603
Community support	3,131	111,013	-	-	-	114,144
Food services	30,304	2,517	-	1,420,998	-	1,453,819
Child care services	-	90,670	-	-	99,737	190,407
Facilities acquisition and construction	-	-	22,677	-	-	22,677
Debt service	88,217	-	1,313,255	-	-	1,401,472
Transfers	79,086	-	1,100,334	4,376	-	1,183,796
<b>Total expenses</b>	<u>22,256,776</u>	<u>3,507,213</u>	<u>2,828,791</u>	<u>1,425,374</u>	<u>99,737</u>	<u>30,117,891</u>
Revenues over (under) Expenses	<u>\$ 902,592</u>	<u>\$ -</u>	<u>\$ 309,486</u>	<u>\$ 240,363</u>	<u>\$ (1,957)</u>	<u>\$ 1,450,484</u>

	<b>June 30, 2021</b>					
	General Fund	Special Revenue	Project and Activity	Food Service	Child Care Funds	Total
<b>Revenues:</b>						
Local revenue sources	\$7,209,496	\$ 15,908	\$ 732,054	\$ 13,187	\$ 42,602	\$ 8,013,247
State revenue sources	13,977,125	1,125,190	1,146,225	76,020	6,943	16,331,503
Federal revenue	89,296	1,964,332	-	850,017	-	2,903,645
Bond proceeds	-	-	4,665,142	-	-	4,665,142
Other sources	56,134	-	-	-	-	56,134
Transfers	50,964	50,470	908,344	765	-	1,010,543
<b>Total Revenues</b>	<b>21,383,015</b>	<b>3,155,900</b>	<b>7,451,765</b>	<b>939,989</b>	<b>49,545</b>	<b>32,980,214</b>
<b>Expenses:</b>						
Instruction	12,996,230	1,998,558	297,795	-	-	15,292,583
Student support	1,095,074	154,096	19,914	-	-	1,269,084
Instructional support	1,469,789	642,962	26	-	-	2,112,777
District administration	908,136	-	-	-	-	908,136
School administration	1,453,785	-	-	-	-	1,453,785
Business support	345,663	-	-	-	-	345,663
Plant operations	2,624,524	86,691	2,055	-	-	2,713,270
Student transportation	648,120	-	-	-	-	648,120
Community support	5,680	113,647	-	-	-	119,327
Food services	74,106	101,152	-	973,865	-	1,149,123
Child care services	-	58,794	-	-	63,150	121,944
Facilities acquisition and construction	-	-	2,112,808	-	-	2,112,808
Debt service	89,701	-	1,377,869	-	-	1,467,570
Bond escrow payments	-	-	4,605,354	-	-	4,605,354
Transfers	51,235	-	959,308	-	-	1,010,543
<b>Total expenses</b>	<b>21,762,043</b>	<b>3,155,900</b>	<b>9,375,129</b>	<b>973,865</b>	<b>63,150</b>	<b>35,330,087</b>
Revenues over (under) Expenses	<u>\$ (379,028)</u>	<u>\$ -</u>	<u>\$(1,923,364)</u>	<u>\$ (33,876)</u>	<u>\$ (13,605)</u>	<u>\$ (2,349,873)</u>

### BUDGETARY IMPLICATIONS FOR 2022-23

In Kentucky, the public school fiscal year is July 1 - June 30; however, federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The District anticipates adoption of the working budget in September 2022 well in excess of the minimum. The Board adopted a 2% salary increase for certified and classified workers for the 2022-2023 school year, and gave additional increases to aides, custodial staff and bus drivers of one to two dollars per hour. The District does not anticipate any contingency issues during the 2022-2023 school year, or beyond. Management will continue to be diligent in conservative spending, with a complete focus on what is best for children and the ability to recruit and maintain the very best professional staff afforded to our area.

Russell Independent has adopted the motto, "Russell Independent Schools, Where Tradition Meets Excellence." We will continue to focus on offering the best for our children and community. This includes safety as a priority, along with educational excellence and opportunities for competition in both academics and athletics.

Questions regarding this report should be directed to Dr. M. Sean Horne, Superintendent or to Dennis C. Chambers, CPA, Chief Financial Officer at (606) 836-9679, e-mail at sean.horne@russellind.kyschools.us or dennis.chambers@russellind.kyschools.us, or by mail at 908 Powell Lane, Flatwoods, Kentucky 41139.

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,293,287	\$ 572,939	\$ 6,866,226
Receivables (net of allowances for uncollectibles):			
Property taxes	140,947	-	140,947
Other	1,805	-	1,805
Intergovernmental - federal and state	499,859	-	499,859
Inventories	-	10,625	10,625
Right to use leased assets, net	27,432	-	27,432
Capital assets, not being depreciated	479,218	-	479,218
Capital assets, being depreciated, net	23,333,120	76,016	23,409,136
Total assets	<u>30,775,668</u>	<u>659,580</u>	<u>31,435,248</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	105,550	-	105,550
Deferred outflows - OPEB related	2,622,537	147,186	2,769,723
Deferred outflows - pension related	925,245	186,711	1,111,956
Total deferred outflows of resources	<u>3,653,332</u>	<u>333,897</u>	<u>3,987,229</u>
<b>Liabilities</b>			
Accounts payable	102,124	67	102,191
Accrued payroll and employee benefits	145,454	-	145,454
Unearned revenue	573,521	-	573,521
Portion due or payable within one year:			
Leases payable	6,778	-	6,778
Notes payable	70,672	-	70,672
Bond obligations	1,055,000	-	1,055,000
Interest Payable	75,085	-	75,085
Noncurrent liabilities:			
Net OPEB liability	5,693,663	260,393	5,954,056
Net pension liability	5,799,572	1,095,010	6,894,582
Leases payable	21,096	-	21,096
Notes payable	257,725	-	257,725
Bond obligations	11,284,135	-	11,284,135
Accrued sick leave	186,781	-	186,781
Total liabilities	<u>25,271,606</u>	<u>1,355,470</u>	<u>26,627,076</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - OPEB related	3,692,832	145,097	3,837,929
Deferred inflows - pension related	962,442	136,827	1,099,269
Total deferred inflows of resources	<u>4,655,274</u>	<u>281,924</u>	<u>4,937,198</u>
<b>Net Position</b>			
Net investment in capital assets	11,175,271	76,016	11,251,287
Restricted for:			
Debt Service	29,788	-	29,788
Capital projects	707,351	-	707,351
Other purposes	198,931	(719,933)	(521,002)
Unrestricted	(7,609,221)	-	(7,609,221)
Total net position	<u>\$ 4,502,120</u>	<u>\$ (643,917)</u>	<u>\$ 3,858,203</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 7,450,592	\$ -	\$ 2,257,274	\$ -	\$ (5,193,318)	\$ -	\$ (5,193,318)
Support services:							
Students	501,039	-	260,963	-	(240,076)	-	(240,076)
Instructional staff	2,060,751	-	1,002,338	-	(1,058,413)	-	(1,058,413)
District administration	817,401	-	-	-	(817,401)	-	(817,401)
School administration	747,819	-	-	-	(747,819)	-	(747,819)
Business and other support services	256,553	-	-	-	(256,553)	-	(256,553)
Operation and maintenance of plant	3,238,531	-	55,723	-	(3,182,808)	-	(3,182,808)
Student transportation	959,650	-	7,928	-	(951,722)	-	(951,722)
Food service operations	33,993	-	2,517	-	(31,476)	-	(31,476)
Child care operations	90,670	-	90,670	-	-	-	-
Community services	116,350	-	111,013	-	(5,337)	-	(5,337)
Debt service-interest	290,615	-	-	1,177,756	887,141	-	887,141
Total governmental activities	<u>16,563,964</u>	<u>-</u>	<u>3,788,426</u>	<u>1,177,756</u>	<u>(11,597,782)</u>	<u>-</u>	<u>(11,597,782)</u>
Business-type activities:							
Food service	1,420,998	36,603	1,624,758	-	-	240,363	240,363
Child care fund	99,737	85,137	12,643	-	-	(1,957)	(1,957)
Total business-type activities	<u>1,520,735</u>	<u>121,740</u>	<u>1,637,401</u>	<u>-</u>	<u>-</u>	<u>238,406</u>	<u>238,406</u>
Total primary government	<u>\$ 18,084,699</u>	<u>\$ 121,740</u>	<u>\$ 5,425,827</u>	<u>\$ 1,177,756</u>	<u>\$ (11,597,782)</u>	<u>\$ 238,406</u>	<u>\$ (11,359,376)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 6,356,398	\$ -	\$ 6,356,398
Motor vehicle					740,384	-	740,384
Utilities					934,518	-	934,518
Intergovernmental revenues:							
State					4,591,412	-	4,591,412
Investment earnings					11,090	-	11,090
Other local revenues					537,896	-	537,896
Total general revenues					<u>13,171,698</u>	<u>-</u>	<u>13,171,698</u>
Transfers							
					-	-	-
Change in net position					1,573,916	238,406	1,812,322
Net position, June 30, 2021					<u>2,928,204</u>	<u>(882,323)</u>	<u>2,045,881</u>
Net position, June 30, 2022					<u>\$ 4,502,120</u>	<u>\$ (643,917)</u>	<u>\$ 3,858,203</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,181,182	\$ 80,757	\$ 1,031,348	\$ 6,293,287
Receivables (net of allowances for uncollectibles):				
Taxes - current	126,008	-	-	126,008
Taxes - delinquent	14,939	-	-	14,939
Other	1,193	-	612	1,805
Intergovernmental - state	-	499,859	-	499,859
Total assets	<u>\$ 5,323,322</u>	<u>\$ 580,616</u>	<u>\$ 1,031,960</u>	<u>\$ 6,935,898</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 95,029	\$ 7,095	\$ -	\$ 102,124
Accrued payroll and employee benefits	145,454	-	-	145,454
Unearned revenue	-	573,521	-	573,521
Total liabilities	<u>240,483</u>	<u>580,616</u>	<u>-</u>	<u>821,099</u>
<b>Fund balances:</b>				
Restricted	-	-	936,070	936,070
Committed	144,027	-	95,890	239,917
Assigned	186,781	-	-	186,781
Unassigned	4,752,031	-	-	4,752,031
Total fund balances	<u>5,082,839</u>	<u>-</u>	<u>1,031,960</u>	<u>6,114,799</u>
Total liabilities and fund balances	<u>\$ 5,323,322</u>	<u>\$ 580,616</u>	<u>\$ 1,031,960</u>	<u>\$ 6,935,898</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

Fund balances—total governmental funds		\$ 6,114,799
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 governmental funds.		23,812,338
Savings from refunding bonds are not available to pay current period expenditures and therefore, are not reported in the funds.		105,550
Right to use leased assets of \$48,148, net of accumulated of \$20,716, used in governmental activities are not financial resources and therefore are not reported in governmental funds		27,432
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		(1,107,492)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB liability	(5,693,663)	
Net pension liability	(5,799,572)	
Bonds payable	(12,339,135)	
Notes payable	(328,397)	
Leases payable	(27,874)	
Accrued interest payable	(75,085)	
Accrued sick leave	(186,781)	<u>(24,450,507)</u>
Net position of governmental activities		<u>\$ 4,502,120</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<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	\$ 5,926,195	\$ -	\$ 430,203	\$ 6,356,398
Motor vehicles	740,384	-	-	740,384
Utilities	934,518	-	-	934,518
Interest income	11,042	-	48	11,090
Other local revenues	29,990	17,965	489,941	537,896
Intergovernmental - State	15,078,970	549,646	1,177,756	16,806,372
Intergovernmental - Indirect federal	251,685	2,822,565	-	3,074,250
Intergovernmental - Direct federal	99,526	65,004	-	164,530
Total revenues	<u>23,072,310</u>	<u>3,455,180</u>	<u>2,097,948</u>	<u>28,625,438</u>
Expenditures:				
Current:				
Instruction	12,932,090	2,327,272	342,494	15,601,856
Support services:				
Students	965,583	161,437	-	1,127,020
Instructional staff	1,778,400	750,653	47,746	2,576,799
District administration	974,989	-	-	974,989
School administration	1,514,624	-	-	1,514,624
Business and other support services	364,145	-	-	364,145
Operation and maintenance of plant	2,668,532	55,723	2,285	2,726,540
Student transportation	857,675	7,928	-	865,603
Food service operation	30,304	2,517	-	32,821
Child care operations	-	90,670	-	90,670
Community services	3,131	111,013	-	114,144
Facilities acquisition and construction	-	-	22,677	22,677
Debt service	88,217	-	1,313,255	1,401,472
Total expenditures	<u>22,177,690</u>	<u>3,507,213</u>	<u>1,728,457</u>	<u>27,413,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>894,620</u>	<u>(52,033)</u>	<u>369,491</u>	<u>1,212,078</u>
Other financing sources (uses):				
Transfers in	87,058	52,033	1,040,329	1,179,420
Transfers out	(79,086)	-	(1,100,334)	(1,179,420)
Total other financing sources and uses	<u>7,972</u>	<u>52,033</u>	<u>(60,005)</u>	<u>-</u>
Net change in fund balances	902,592	-	309,486	1,212,078
Fund balances, June 30, 2021	<u>4,180,247</u>	<u>-</u>	<u>722,474</u>	<u>4,902,721</u>
Fund balances, June 30, 2022	<u>\$ 5,082,839</u>	<u>\$ -</u>	<u>\$ 1,031,960</u>	<u>\$ 6,114,799</u>

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



**RUSSELL 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, 2022**

Net change in fund balances - total governmental funds \$ 1,212,078

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	115,945	
Depreciation expense	(1,209,186)	
		(1,093,241)
 New right to use lease assets	 23,602	
Amortization expense	(7,438)	
		16,164

Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB 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, OPEB, and investment experience.

KTRS nonemployer support revenue	(10,487,558)	
KTRS pension and OPEB expense	10,932,484	
CERS contributions	67,270	
CERS pension and OPEB expense	(193,283)	
		318,913

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		25,502
Interest payable		4,783
Amortization of deferred savings from refunding bonds		(19,185)
Amortization of bond discounts and premiums		2,535

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.

New lease payable	(23,602)	
Lease payments	6,996	
Debt payments	1,122,973	
		1,106,367

Change in net position of governmental activities \$ 1,573,916

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Food Service Fund	Child Care Fund	Total Proprietary Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 466,535	\$ 106,404	\$ 572,939
Inventories	10,625	-	10,625
Total current assets	<u>477,160</u>	<u>106,404</u>	<u>583,564</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	76,016	-	76,016
Total noncurrent assets	<u>76,016</u>	<u>-</u>	<u>76,016</u>
Total assets	<u>553,176</u>	<u>106,404</u>	<u>659,580</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - OPEB related	134,134	13,052	147,186
Deferred outflows - pension related	119,402	67,309	186,711
Total deferred outflows of resources	<u>253,536</u>	<u>80,361</u>	<u>333,897</u>
Total assets and deferred outflows	<u>\$ 806,712</u>	<u>\$ 186,765</u>	<u>\$ 993,477</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 67	\$ 67
Total current liabilities	<u>-</u>	<u>67</u>	<u>67</u>
Noncurrent liabilities:			
Net OPEB liability	237,563	22,830	260,393
Net pension liability	784,063	310,947	1,095,010
Total liabilities	<u>1,021,626</u>	<u>333,844</u>	<u>1,355,470</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - OPEB related	126,338	18,759	145,097
Deferred inflows - pension related	130,378	6,449	136,827
Total deferred inflows of resources	<u>256,716</u>	<u>25,208</u>	<u>281,924</u>
<b>Net Position</b>			
Invested in capital assets	76,016	-	76,016
Restricted	(547,646)	(172,287)	(719,933)
Total net position	<u>(471,630)</u>	<u>(172,287)</u>	<u>(643,917)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 806,712</u>	<u>\$ 186,765</u>	<u>\$ 993,477</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Food Service Fund	Child Care Fund	Total Proprietary Funds
Operating revenues:			
Lunchroom sales	\$ 36,603	\$ -	\$ 36,603
Other revenue	-	85,137	85,137
Total operating revenues	<u>36,603</u>	<u>85,137</u>	<u>121,740</u>
Operating expenses:			
Salaries and wages	382,478	70,942	453,420
Employee benefits	201,980	23,043	225,023
Contract services	10,370	3,141	13,511
Materials and supplies	812,855	2,611	815,466
Depreciation	13,315	-	13,315
Total operating expenses	<u>1,420,998</u>	<u>99,737</u>	<u>1,520,735</u>
Operating income (loss)	<u>(1,384,395)</u>	<u>(14,600)</u>	<u>(1,398,995)</u>
Nonoperating revenues (expenses) :			
Federal grants	1,435,152	-	1,435,152
Donated commodities	110,684	-	110,684
State grants	78,922	12,643	91,565
Total nonoperating revenue	<u>1,624,758</u>	<u>12,643</u>	<u>1,637,401</u>
Transfers in	4,376	-	4,376
Transfers out	(4,376)	-	(4,376)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	240,363	(1,957)	238,406
Net position, June 30, 2021	<u>(711,993)</u>	<u>(170,330)</u>	<u>(882,323)</u>
Net position, June 30, 2022	<u>\$ (471,630)</u>	<u>\$ (172,287)</u>	<u>\$ (643,917)</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Food Service Fund	Child Care Fund	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from:			
Lunchroom sales	\$ 36,603	\$ -	\$ 36,603
Other operating revenues	-	85,137	85,137
Cash paid to/for:			
Payments to suppliers and providers of goods and services	(722,745)	(5,717)	(728,462)
Payments to employees	(498,960)	(80,223)	(579,183)
Net cash provided by (used for) operating activities	<u>(1,185,102)</u>	<u>(803)</u>	<u>(1,185,905)</u>
Cash flows from noncapital financing activities:			
Governmental grants	1,470,963	-	1,470,963
Net cash provided by noncapital financing activities	<u>1,470,963</u>	<u>-</u>	<u>1,470,963</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(24,719)	-	(24,719)
Net cash used for capital and related financing activities	<u>(24,719)</u>	<u>-</u>	<u>(24,719)</u>
Net increase (decrease) in cash and cash equivalents	261,142	(803)	260,339
Cash and cash equivalents, June 30, 2021	<u>205,393</u>	<u>107,207</u>	<u>312,600</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 466,535</u>	<u>\$ 106,404</u>	<u>\$ 572,939</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,384,395)	\$ (14,600)	\$ (1,398,995)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	13,315	-	13,315
Donated commodities	110,684	-	110,684
On-behalf payments	68,163	12,643	80,806
Net pension adjustment	17,335	1,119	18,454
Change in assets and liabilities:			
Inventories	1,134	-	1,134
Accounts payable	(11,338)	35	(11,303)
Net cash provided by (used for) operating activities	<u>\$ (1,185,102)</u>	<u>\$ (803)</u>	<u>\$ (1,185,905)</u>
Non-cash items:			
Donated commodities	\$ 110,684	\$ -	\$ 110,684
On-behalf payments	68,163	12,643	80,806

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 5,628,099	\$ 5,680,000	\$ 5,926,195	\$ 246,195
Motor vehicles	610,000	610,000	740,384	130,384
Utilities	830,000	830,000	934,518	104,518
Interest income	15,000	15,000	11,042	(3,958)
Other local revenues	5,000	5,000	29,990	24,990
Intergovernmental - State	15,363,481	14,782,561	15,078,970	296,409
Intergovernmental - Indirect federal	-	-	251,685	251,685
Intergovernmental - Direct federal	45,000	45,000	99,526	54,526
Total revenues	<u>22,496,580</u>	<u>21,967,561</u>	<u>23,072,310</u>	<u>1,104,749</u>
Expenditures:				
Current:				
Instruction	13,183,610	12,531,401	12,932,090	(400,689)
Support services:				
Students	967,353	1,119,392	965,583	153,809
Instructional staff	1,634,775	1,615,015	1,778,400	(163,385)
District administration	909,193	932,354	974,989	(42,635)
School administration	1,545,286	1,631,887	1,514,624	117,263
Business and other support services	345,263	350,733	364,145	(13,412)
Operation and maintenance of plant	2,626,309	2,636,396	2,668,532	(32,136)
Student transportation	852,212	850,990	857,675	(6,685)
Food service operations	50,156	51,343	30,304	21,039
Community services	12,000	8,394	3,131	5,263
Contingency	4,888,044	4,095,103	-	4,095,103
Debt service	88,217	97,217	88,217	9,000
Total expenditures	<u>27,102,418</u>	<u>25,920,225</u>	<u>22,177,690</u>	<u>3,742,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,605,838)</u>	<u>(3,952,664)</u>	<u>894,620</u>	<u>4,847,284</u>
Other financing sources (uses):				
Transfers in	55,838	57,691	87,058	29,367
Transfers out	(50,000)	(50,000)	(79,086)	(29,086)
Total other financing sources and uses	<u>5,838</u>	<u>7,691</u>	<u>7,972</u>	<u>281</u>
Net change in fund balances	(4,600,000)	(3,944,973)	902,592	4,847,565
Fund balances, June 30, 2021	<u>4,600,000</u>	<u>3,944,973</u>	<u>4,180,247</u>	<u>235,274</u>
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,082,839</u>	<u>\$ 5,082,839</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Student Fees	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Other local revenues	-	-	17,965	17,965
Intergovernmental - State	612,256	554,277	549,646	(4,631)
Intergovernmental - Indirect federal	2,323,507	5,576,876	2,822,565	(2,754,311)
Intergovernmental - Direct federal	65,373	65,373	65,004	(369)
Total revenues	<u>3,005,136</u>	<u>6,200,526</u>	<u>3,455,180</u>	<u>(2,745,346)</u>
Expenditures:				
Current:				
Instruction	1,812,477	3,943,229	2,327,272	1,615,957
Support services:				
Students	117,643	380,481	161,437	219,044
Instructional staff	630,651	1,130,651	750,653	379,998
Operation and maintenance of plant	61,000	61,000	55,723	5,277
Student transportation	9,248	9,248	7,928	1,320
Food service operation	100,000	150,000	2,517	147,483
Child care operations	-	251,800	90,670	161,130
Community services	107,737	107,737	111,013	(3,276)
Contingency	211,380	211,380	-	211,380
Total expenditures	<u>3,050,136</u>	<u>6,245,526</u>	<u>3,507,213</u>	<u>2,738,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,000)</u>	<u>(45,000)</u>	<u>(52,033)</u>	<u>(7,033)</u>
Other financing sources (uses):				
Transfers in	45,000	45,000	52,033	7,033
Transfers out	-	-	-	-
Total other financing sources and uses	<u>45,000</u>	<u>45,000</u>	<u>52,033</u>	<u>7,033</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**(1) REPORTING ENTITY**

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

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Russell 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 Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Russell Independent School District Finance Corporation

On October 30, 1989, the Russell Independent School District Board of Education resolved to authorize the establishment of the Russell 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 members of the Russell Independent School District Board of Education also comprise the Corporation's Board of Directors.

Copies of component unit reports may be obtained from the District's Finance Office at 908 Powell Lane, Flatwoods, Kentucky 41139.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

The accounting policies of the Russell 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. 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. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

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 position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund 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) Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
  - 1. The Special Revenue Fund 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.



2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.
  3. The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of activities requiring clearing accounts. Scholarship Funds provide funding for students' higher education in accordance with the terms or conditions specified by the donors. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.
- (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 Proprietary Funds).
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 Funds (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
- (B) The Child Care Fund is used to account for after school child care and preschool activities. This is listed as a major fund due to the nature of the activity.

### 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 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 (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in 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 2022 fiscal year was based was \$860,405,097.

The property tax rates assessed for the year ended June 30, 2022 to finance General Fund operations were \$.849 per \$100 valuation for real property, \$.849 per \$100 valuation on tangible property, and \$.504 per \$100 valuation for motor vehicles.

The District levies a utilities gross receipts tax in the amount of 3% of the gross receipts derived from the furnishings, within the District of telegraphic communications services, cablevision services, electric power, water and gas.

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, 2022 were 96.41% of the tax levy for real and tangible personal property.

### Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of three 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.

### Right to Use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

### Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets 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>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general equipment	10 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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

### Fund Balance Reserves

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

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

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

### Net Position

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

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating revenues. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All 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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, 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.

### Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 was effective for the District beginning with its year ending June 30, 2022 and was applied retroactively by restating financial statements. As a result of the adoption of this standard, the District recorded a right to use asset and lease payable of \$11,268 as of June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 was effective for the District beginning with its year ending June 30, 2022. The adoption of this standard did not have a material effect on the District's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2021* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions were effective for the District beginning with its year ending June 30, 2022. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* (“GASB 99”), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
  - 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,
  - 87, Leases,
  - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
  - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates were effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs will be effective for the District beginning with its year ending June 30, 2023. Requirements related to other requirements related to derivative instruments will be effective for the District beginning with its year ending June 30, 2024. Adoption of the provisions required upon issuance of this statement did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)* ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 will be effective for accounting changes and error corrections made by the District beginning with its year ending June 30, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992.

GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 will be effective for the District beginning with its year ending June 30, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

### (3) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Land	\$ 460,688	\$ -	\$ -	\$ 460,688
Land improvements	3,219,124	34,600	-	3,253,724
Buildings and improvements	35,850,141	-	-	35,850,141
Technology equipment	3,053,154	21,065	-	3,074,219
General equipment	1,056,077	41,750	-	1,097,827
Vehicles	2,170,629	-	-	2,170,629
Construction in progress	-	18,530	-	18,530
Totals at historical cost	<u>45,809,813</u>	<u>115,945</u>	<u>-</u>	<u>45,925,758</u>
Less: accumulated depreciation -				
Land improvements	(1,972,601)	(82,284)	-	(2,054,885)
Buildings and improvements	(13,720,465)	(868,711)	-	(14,589,176)
Technology equipment	(2,633,786)	(134,702)	-	(2,768,488)
Vehicles	(1,775,084)	(76,873)	-	(1,851,957)
General equipment	(802,298)	(46,616)	-	(848,914)
Total accumulated depreciation	<u>(20,904,234)</u>	<u>(1,209,186)</u>	<u>-</u>	<u>(22,113,420)</u>
Governmental Activities				
Capital Assets-Net	<u>\$ 24,905,579</u>	<u>\$ (1,093,241)</u>	<u>\$ -</u>	<u>\$ 23,812,338</u>
<u>Business-Type Activities</u>				
Food service land improvements	\$ 2,350	\$ -	\$ -	\$ 2,350
Food service equipment	634,135	24,719	-	658,854
Technology equipment	27,248	-	-	27,248
Totals at historical cost	<u>663,733</u>	<u>24,719</u>	<u>-</u>	<u>688,452</u>
Less: accumulated depreciation -				
Land improvements	(1,890)	(117)	-	(2,007)
Equipment	(569,983)	(13,198)	-	(583,181)
Technology equipment	(27,248)	-	-	(27,248)
Total accumulated depreciation	<u>(599,121)</u>	<u>(13,315)</u>	<u>-</u>	<u>(612,436)</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 64,612</u>	<u>\$ 11,404</u>	<u>\$ -</u>	<u>\$ 76,016</u>



Depreciation expense is allocated to governmental functions as follows:

Instruction	\$ 528,809
District administration	63,880
Plant operation and maintenance	536,693
Student transportation	79,804
	<u>\$ 1,209,186</u>

**(4) RIGHT TO USE LEASED ASSETS**

The District has recorded right to use leased assets. The assets are right to use assets for copier equipment. The related leases are discussed in the Leases subsection of the Debt Obligations section of Note (10). The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2022, was as follows:

	June 30, 2021	Additions	Deductions	June 30, 2022
Intangible right to use assets	\$ 24,546	\$ 23,602	\$ -	\$ 48,148
Totals at historical cost	24,546	23,602	-	48,148
Less: accumulated amortization	(13,278)	(7,438)	-	(20,716)
Right to use leased assets - Net	<u>\$ 11,268</u>	<u>\$ 16,164</u>	<u>\$ -</u>	<u>\$ 27,432</u>

**(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 KTRS 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 12.855% of their salaries to the System. University members are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% 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 15.865% of salaries of members. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS**

At June 30, 2022, 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	<u>43,899,947</u>
	<u>\$ 43,899,947</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. 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 Commonwealth as determined by the actuary. At June 30, 2021, the District's proportion was 0.3373%.

For the year ended June 30, 2022, the District recognized pension expense of \$(6,838,889) and revenue of \$(6,838,889) for support provided by the State.

*Actuarial Methods and Assumptions:* The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	22.9 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	2.13%
Inflation	2.5%
Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the five-year period ending June 30, 2020 adopted by the Board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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>
Large cap U.S. equity	37.4%	4.2%
Small cap U.S. equity	2.6%	4.7%
Developed international equity	16.5%	5.3%
Emerging markets equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High yield bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	(0.3)%
Total	<u>100.0%</u>	

*Discount Rate:* The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. 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 that employer contributions will be made at the actuarially determined contribution (ADC) rates for all future fiscal years. 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. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, 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 (6.10%) or 1-percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.10%)	Current discount rate (7.10%)	1% Increase (8.10%)
Commonwealth’s proportionate share of the Net Pension liability associated with the District	\$ 62,029,000	\$ 43,899,947	\$ 32,488,000

*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 publicly 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 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% (21.17% - pension, 5.78% insurance) of the member's salary. During the year ending June 30, 2022, the District contributed \$585,727 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 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, 2021. At June 30 2021, the District's proportion was 0.108137%.

For the year ended June 30, 2022, the District recognized pension expense of approximately \$692,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,171	\$ 66,917
Changes of assumptions	92,534	-
Net difference between projected and actual earnings on investments	-	918,932
Changes in proportion and differences between District contributions and proportionate share of contributions	354,524	113,420
District contributions subsequent to the measurement date	585,727	-
	<u>\$ 1,111,956</u>	<u>\$ 1,099,269</u>

The \$585,727 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2023	\$ (29,386)
2024	(61,211)
2025	(194,680)
2026	(287,763)
	<u>\$ (573,040)</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no actuarial assumptions or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated

benefit provisions.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disable retired members, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

The target 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>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	5.00%	5.40%
Real Return	15.00%	4.55%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return</b>		<b>7.30%</b>

*Discount Rate:* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 8,843,000	\$ 6,894,582	\$ 5,283,000

*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 publicly available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2022, there were no payables to CERS.

## (6) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

### Kentucky Teachers Retirement System OPEB Plans

Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB 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. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

#### **Medical Insurance Plan**

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

*Benefits provided:* To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions:* In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan**

At June 30, 2022, the District reported a liability of \$3,884,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District’s proportion was 0.328058%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 3,884,000
Commonwealth’s proportionate share of the Net OPEB liability associated with the District	<u>3,155,000</u>
	<u>\$ 7,039,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$(138,000) and revenue of \$260,967 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,310,000
Changes of assumptions	1,016,000	-
Net difference between projected and actual earnings on investments	-	414,000
Changes in proportion and differences between District contributions and proportionate share of contributions	309,000	63,000
District contributions subsequent to the measurement date	<u>307,265</u>	<u>-</u>
	<u>\$ 1,632,265</u>	<u>\$ 2,787,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$307,265 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

<u>Year</u>	
2023	\$ (379,000)
2024	(382,000)
2025	(359,000)
2026	(329,000)
2027	(51,000)
Thereafter	<u>38,000</u>
	<u>\$ (1,462,000)</u>



*Actuarial methods and assumptions:* The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal bond index rate	2.13%
Discount rate	7.1%
Single equivalent interest rate	7.1%, net of OPEB plan investment expense, including price inflation
Healthcare cost trend rates	
Under 65	7% for FY 2021 decreasing to an ultimate rate of 4.5% by FY 2031
Ages 65 and Older	5% for FY 2022* decreasing to an ultimate rate of 4.5% by FY 2024
Medicare Part B Premiums	4.4% for FY 2021 with an ultimate rate of 4.5% by 2034

*\*Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20% was used for 2021.*

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2020, valuation. The health care cost trend rate assumption was updated for the June 30, 2020, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll-forward while the change in initial per capita claims costs were included with experience in the TOL roll-forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

The long-term expected rate of return on OPEB 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 TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(0.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional categories: high yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash	1.0%	(0.3)%
Total	<u>100.0%</u>	

*Discount rate:* The discount rate used to measure the TOL as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur midyear.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust statutory contributions are to be decreased, suspended or eliminated:
  - Employee contributions
  - Employer contributions
  - State contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the actuarially determined contribution, as determined by the prior year's valuation and in accordance with the health trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This also may include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
  - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
  - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Insurance Trust's FNP was not projected to be depleted.

The FNP projections are based upon the health trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.1%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1%) or 1-percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.1%)	Current discount rate (7.1%)	1% Increase (8.1%)
District's proportionate share of the net OPEB liability	\$ 4,973,000	\$ 3,884,000	\$ 2,984,000

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates:* The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,882,000	\$ 3,884,000	\$ 5,207,000

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

### **Life Insurance Plan**

*Plan description - Life Insurance Plan:* TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided:* TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

*Contributions:* In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan**

At June 30, 2022, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$	-
Commonwealth’s proportionate share of the Net OPEB liability associated with the District		42,000
		<u>\$ 42,000</u>

The net OPEB liability was measured as of June 30, 2021, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2021 was determined using standard roll-forward techniques. The District’s proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2021, the District’s proportion was 0.320731%. For the year ended June 30, 2022, the District recognized OPEB expense of \$-0- and revenue of \$6,427 for support provided by the State.

*Actuarial methods and assumptions:* The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0 – 7.5%, including wage inflation
Inflation rate	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.1%
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index

Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

The long-term expected rate of return on OPEB 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 OPEB 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 TRS's investment consultant, are summarized in the following table:

	<u>Target Allocation</u>	<u>Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	(0.1)%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	2.0%	(0.3)%
Total	<u>100.0%</u>	

*Discount rate:* The discount rate used to measure the total OPEB liability as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur midyear.

Based on these assumptions, the Life Insurance Trust's fiduciary net position was not projected to be depleted. The FNP projections are based upon the Life Insurance Trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust

actually will run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

The following table presents the Commonwealth's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.1%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1%) or 1-percentage-point higher (8.1%) than the current rate:

	1% Decrease <u>(6.1%)</u>	Current discount rate <u>(7.1%)</u>	1% Increase <u>(8.1%)</u>
Commonwealth's proportionate share of the net OPEB liability	\$ 97,000	\$ 42,000	\$ (3,000)

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

### County Employees Retirement System Insurance Fund

*Plan description:* The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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:* CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2022, CERS allocated 5.78% of the 26.95% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2022, the District contributed \$159,920 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

*Implicit Subsidy:* The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund**

At June 30, 2022, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2021. At June 30 2021, the District's proportion was 0.108128%.

For the year ended June 30, 2022, the District recognized OPEB expense of approximately \$255,000, including an implicit subsidy of \$68,113. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 325,517	\$ 618,050
Changes of assumptions	548,811	1,925
Net difference between projected and actual earnings on investments	-	323,831
Changes in proportion and differences between District contributions and proportionate share of contributions	103,210	107,123
District contributions subsequent to the measurement date	159,920	-
	<u>\$ 1,137,458</u>	<u>\$ 1,050,929</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$159,920 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023.

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2023	\$ 39,679
2024	(9,486)
2025	(4,576)
2026	(99,008)
	<u>\$ (73,391)</u>

*Actuarial Methods and Assumptions* - The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay

Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB- 2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates,
projected	with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

The target 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>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	5.00%	5.40%
Real Return	15.00%	4.55%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return</b>		<b>7.30%</b>

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.20%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current discount rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
District's proportionate share of the net OPEB liability	\$ 2,842,000	\$ 2,070,056	\$ 1,436,000

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates:* The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,490,000	\$ 2,070,056	\$ 2,770,000

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

*Payables to the OPEB plan:* At June 30, 2022, there were no payables to the OPEB plan.

#### **(7) 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, 2022, this amount totaled \$186,781 for those employees with five or more years of experience and who have reached the age of 55. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

#### **(8) COMMITMENTS AND 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.

The District at times is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

The District has outstanding construction commitments of approximately \$300,000 at June 30, 2022 for a planned multipurpose sports facility.

#### **(9) CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

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, 2022, the carrying amounts of the District's deposits were \$6,866,226 and the bank balances were \$7,633,661. Of the total bank balances, \$261,289 was insured by the FDIC, and \$7,372,372 was secured by collateral held by the pledging banks in the District's name.

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, Special Revenue (Grant Funds), Bond and Interest Redemption Fund, School Construction Fund, School Food Service Funds, and School Activity Funds.

#### **(10) DEBT OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make lease payments relating to bonds issued by the Russell Independent

School District Finance Corporation aggregating \$16,485,000 and notes issued by the Russell Independent School District to the Kentucky Interlocal School Transportation Association ("KISTA") in the original amount of \$792,762.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2021R	\$ 4,010,000	1.00% - 1.15%
2020R	645,000	2.00%
2020	4,600,000	2.00% - 2.50%
2016	1,515,000	2.00% - 3.00%
2015R	2,910,000	2.00% - 3.00%
2015	1,025,000	1.00% - 3.63%
2012	1,780,000	1.15% - 2.40%
Various (KISTA)	792,762	1.50% - 3.00%

The District, through the General Fund, including local building fund taxes, the SEEK Capital Outlay Fund, and the Facilities Support Program of Kentucky is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on the bonds and notes for school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds or notes issued for purchase and construction then outstanding.

A summary of activity in bond obligations and other long-term obligations is as follows:

<u>Description</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2022</u>	<u>Due within One Year</u>
General obligation bonds - \$16,485,000 originally issued with interest rates ranging from 1.00% to 3.63%	\$ 13,380,000	\$ -	\$(1,045,000)	\$ 12,335,000	\$1,055,000
Premium (discount) on bonds	6,670	-	(2,535)	4,135	-
KISTA notes payable	406,370	-	(77,973)	328,397	70,672
Leases payable	11,268	23,602	(6,996)	27,874	6,778
Accumulated unpaid sick leave benefits	212,283	-	(25,502)	186,781	-
	<u>\$ 14,016,591</u>	<u>\$ 23,602</u>	<u>\$(1,158,006)</u>	<u>\$ 12,882,187</u>	<u>\$1,132,450</u>

In connection with the 2021R, 2020, 2015R and 2015 bond issues, the Board entered into participation agreements with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) 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.

The bonds may be called prior to maturity at redemption premiums as specified in each issue. 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, 2022 for debt service (principal and interest) are as follows:

Bonds					
Year	Kentucky School Facilities Construction Commission		Russell Independent School District		Total
	Principal	Interest	Principal	Interest	
2023	\$ 346,117	\$ 87,897	\$ 708,883	\$ 162,316	\$ 1,305,213
2024	358,378	77,753	716,622	157,810	1,310,563
2025	364,353	68,978	725,647	141,388	1,300,366
2026	372,522	63,209	742,478	126,594	1,304,803
2027	363,884	57,333	731,116	110,588	1,262,921
2028-32	1,172,206	209,809	2,612,794	393,504	4,388,313
2033-37	721,938	95,314	1,473,062	183,049	2,473,363
2038-40	340,187	17,183	584,813	29,316	971,499
	<u>\$ 4,039,585</u>	<u>\$ 677,476</u>	<u>\$ 8,295,415</u>	<u>\$ 1,304,565</u>	<u>\$ 14,317,041</u>

Notes Payable			
Year	Principal	Interest	Total
2023	\$ 70,672	\$ 8,345	\$ 79,017
2024	62,201	6,607	68,808
2025	63,729	5,017	68,746
2026	45,402	3,346	48,748
2027	42,951	2,149	45,100
2028-30	43,442	1,535	44,977
	<u>\$ 328,397</u>	<u>\$ 26,999</u>	<u>\$ 355,396</u>

### Leases

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

1. A lease agreement was executed on August 16, 2018 to lease a copier and requires 48 monthly payments of \$370 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.00%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
2. A lease agreement was executed on July 1, 2020 to lease a copier and requires 60 monthly payments of \$131 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.00%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
3. A lease agreement was executed on March 15, 2022 to lease copiers and requires 60 monthly payments of \$413 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.00%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year	Principal	Interest	Requirements
2023	\$ 6,778	\$ 489	\$ 7,267
2024	6,162	366	6,528
2025	6,418	238	6,656
2026	4,830	126	4,956
2027	3,686	31	3,717
	<u>\$ 27,874</u>	<u>\$ 1,250</u>	<u>\$ 29,124</u>

### Net Pension Liability

The net pension liability is \$5,799,572 and \$1,095,010 for governmental activities and business-type

activities, respectively, at June 30, 2022. See Note (5) for more detailed information.

**Net OPEB Liability**

The net OPEB liability is \$5,693,663 and \$260,393 for governmental activities and business-type activities, respectively, at June 30, 2022. See Note (6) for more detailed information.

**(11) 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, 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 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.

**(12) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a potential loss. It is management's opinion that the District is in compliance with COBRA requirements.

**(13) INTERFUND ACTIVITY**

The following transfers were made during the year:

Type	Fund Transferred From	Fund Transferred To	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 52,033
Operating	FSPK	Debt Service	Debt Service	881,360
Operating	SEEK	Debt Service	Debt Service	29,787
Capital	SEEK	General	Operating	52,962
Capital	General	Construction	Capital	22,677
Operating	Food Service	General	Indirect Costs	4,376
Reimbursement	Activity	General	Reimbursement	29,720
Operating	Activity	District Activity	Operating	106,505

**(14) ON-BEHALF PAYMENTS**

For fiscal year 2022, the Commonwealth of Kentucky contributed payments on behalf of the Russell Independent School District as follows:

Plan / Description	Amount
Kentucky Teachers Retirement System	\$ 3,771,636
Health Insurance Plan, Flexible Spending Plan, and Administrative Life Insurance Plan	2,132,243
Technology	98,109
Debt Service	431,896
Total on-behalf	<u>\$ 6,433,884</u>

These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures, and Changes in Fund Balance.

**(15) FUND DEFICIT**

As of June 30, 2022, the Food Service Fund and the Child Care Fund had a negative net position of \$471,630 and \$172,287, respectively. These deficits resulted from the funds' proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**(16) SUBSEQUENT EVENTS**

On October 6, 2022, the District issued \$490,000 of School Building Revenue Bonds maturing at various dates thru October 1, 2042. The bonds pay interest semiannually on April 1 and October 1 at rates ranging from 3.5% to 4.25% and were issued to fund construction of a multi-purpose sports facility.

**(17) ECONOMIC UNCERTAINTIES**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which could negatively impact future revenues. Other financial impact could occur, but such potential impact is unknown at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2022**

	Reporting Fiscal Year (Measurement)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability	0.10814%	0.10093%	0.10581%	0.10754%	0.11196%	0.11307%	0.10452%	0.10119%
District's proportionate share of the net pension liability	\$ 6,894,582	\$ 7,741,478	\$ 7,441,383	\$ 6,549,453	\$ 6,553,422	\$ 5,567,171	\$ 4,493,842	\$ 3,283,000
District's covered payroll	\$ 2,778,580	\$ 2,598,062	\$ 2,684,420	\$ 2,685,076	\$ 2,748,108	\$ 2,712,367	\$ 2,436,406	\$ 2,321,509
District's proportionate share of the net pension liability as a percentage of its covered payroll	248.133%	297.971%	277.206%	243.921%	238.470%	205.251%	184.446%	141.417%
Plan fiduciary net position as a percentage of the total pension liability	57.330%	47.810%	50.450%	53.540%	53.300%	55.500%	59.970%	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability	0.337%	0.320%	0.324%	0.328%	0.326%	0.324%	0.307%	0.297%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	43,899,947	45,394,395	44,213,145	42,949,853	87,840,435	95,598,345	71,365,594	60,898,003
Total	<u>\$43,899,947</u>	<u>\$45,394,395</u>	<u>\$44,213,145</u>	<u>\$42,949,853</u>	<u>\$87,840,435</u>	<u>\$95,598,345</u>	<u>\$71,365,594</u>	<u>\$60,898,003</u>
District's covered payroll	\$11,077,479	\$10,512,188	\$10,365,586	\$10,349,482	\$10,112,628	\$ 9,989,344	\$ 9,301,366	\$ 9,287,293
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	65.600%	58.300%	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

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



**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>									
Contractually required contribution	\$ 585,727	\$ 536,266	\$ 501,426	\$ 435,413	\$ 388,799	\$ 383,361	\$ 336,854	\$ 310,642	\$ 318,989
Contributions in relation to the contractually required contribution	<u>585,727</u>	<u>536,266</u>	<u>501,426</u>	<u>435,413</u>	<u>388,799</u>	<u>383,361</u>	<u>336,854</u>	<u>310,642</u>	<u>318,989</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,766,778	\$ 2,778,580	\$ 2,598,062	\$ 2,684,420	\$ 2,685,076	\$ 2,748,108	\$ 2,712,367	\$ 2,436,406	\$ 2,321,509
District's contributions as a percentage of its covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>									
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 11,153,014	\$ 11,077,479	\$ 10,512,188	\$ 10,365,586	\$ 10,349,482	\$ 10,112,628	\$ 9,989,344	\$ 9,301,366	\$ 9,287,293
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2022**

	Reporting Fiscal Year (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:</b>					
District's proportion of the net OPEB liability	0.10813%	0.10090%	0.10578%	0.10754%	0.11196%
District's proportionate share of the net OPEB liability	\$ 2,070,056	\$ 2,436,525	\$ 1,779,138	\$ 1,909,263	\$ 2,250,799
District's covered payroll	\$ 2,778,580	\$ 2,598,062	\$ 2,684,420	\$ 2,685,076	\$ 2,748,108
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.500%	93.782%	66.276%	71.106%	81.909%
Plan fiduciary net position as a percentage of the total OPEB liability	62.9%	51.7%	60.4%	57.6%	52.4%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>					
District's proportion of the net OPEB liability	0.32806%	0.31150%	0.31474%	0.31714%	0.31404%
District's proportionate share of the net OPEB liability	\$ 3,884,000	\$ 4,365,000	\$ 5,096,000	\$ 5,910,000	\$ 6,163,000
State's proportionate share of the net OPEB liability associated with the District	3,155,000	3,496,000	4,116,000	5,093,000	5,035,000
Total	<u>\$ 7,039,000</u>	<u>\$ 7,861,000</u>	<u>\$ 9,212,000</u>	<u>\$ 11,003,000</u>	<u>\$ 11,198,000</u>
District's covered payroll	\$ 10,711,255	\$ 10,181,834	\$ 10,106,700	\$ 10,114,400	\$ 9,871,333
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.261%	42.870%	50.422%	58.432%	62.433%
Plan fiduciary net position as a percentage of the total OPEB liability	51.70%	39.10%	32.58%	25.50%	21.18%

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2022**

	Reporting Fiscal Year (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>					
District's proportion of the net OPEB liability	0.32073%	0.30461%	0.30773%	0.30988%	0.30687%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	42,000	106,000	96,000	87,000	67,000
Total	<u>\$ 42,000</u>	<u>\$ 106,000</u>	<u>\$ 96,000</u>	<u>\$ 87,000</u>	<u>\$ 67,000</u>
District's covered payroll	\$ 10,711,255	\$ 10,181,834	\$ 10,106,700	\$ 10,114,400	\$ 9,871,333
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	89.200%	71.600%	73.400%	75.000%	79.990%

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:</b>						
Contractually required contribution	\$ 159,920	\$ 132,261	\$ 123,668	\$ 141,201	\$ 126,198	\$ 129,977
Contributions in relation to the contractually required contribution	<u>159,920</u>	<u>132,261</u>	<u>123,668</u>	<u>141,201</u>	<u>126,198</u>	<u>129,977</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 2,766,778	\$ 2,778,580	\$ 2,598,062	\$ 2,684,420	\$ 2,685,076	\$ 2,748,108
District's contributions as a percentage of its covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>						
Contractually required contribution	\$ 307,265	\$ 321,339	\$ 305,450	\$ 303,201	\$ 303,432	\$ 296,140
Contributions in relation to the contractually required contribution	<u>307,265</u>	<u>321,339</u>	<u>305,450</u>	<u>303,201</u>	<u>303,432</u>	<u>296,140</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 10,242,125	\$ 10,711,255	\$ 10,181,834	\$ 10,106,700	\$ 10,114,400	\$ 9,871,333
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 10,242,125	\$ 10,711,255	\$ 10,181,834	\$ 10,106,700	\$ 10,114,400	\$ 9,871,333
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	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.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(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.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2021.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

**(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
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Asset Valuation Method	5-year smoothed fair value
Inflation	2.5%
Salary Increase	3.0% to 7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation

CERS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018
Mortality	System specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

**(3) CHANGES OF BENEFITS**

KTRS

There were no changes of benefit terms for KTRS.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.



**RUSSELL INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

*Medical Insurance Plan*

June 30, 2021:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disables retirees and actives.
- The assumed long-term investment rate of return was changed from 8% to 7.1%. The price inflation assumption was lowered from 3% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

*Life Insurance Plan*

June 30, 2021:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disables retirees and actives.
- The assumed long-term investment rate of return was changed from 7.5% to 7.1%. The price inflation assumption was lowered from 3% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2021:

- The single discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The assumed increase in future health care costs, or trend assumption, was updated to better reflect the plan's anticipated long-term healthcare costs.

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

KTRS

*Medical Insurance Plan* - The medical insurance plan is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of OPEB Contributions details the statutorily determined amounts for the medical insurance plan.

*Life Insurance Plan* - The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years, Closed
Asset valuation method	Five-year smoothed fair value
Inflation	3%
Real wage growth	0.5%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 7.2%
Discount rate	7.5%

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2021:

Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed (Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases)

Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.25% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post – 65	Initial trend starting at 5.50% on January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

### (3) CHANGES OF BENEFITS

#### KTRS

*Medical Insurance Plan* – There were no changes of benefit terms.

*Life Insurance Plan* – There were no changes of benefit terms.

#### CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

**SUPPLEMENTAL INFORMATION**

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	SEEK Fund	District Activity Fund	School Activity Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 446,195	\$ 95,278	\$ 198,931	\$ 207,473	53,683	\$ 29,788	\$ 1,031,348
Accounts receivable	-	612	-	-	-	-	612
Total assets	<u>\$ 446,195</u>	<u>\$ 95,890</u>	<u>\$ 198,931</u>	<u>\$ 207,473</u>	<u>53,683</u>	<u>\$ 29,788</u>	<u>\$ 1,031,960</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>	<u>-</u>
<b>Fund Balances:</b>							
Restricted	446,195	-	198,931	207,473	53,683	29,788	936,070
Committed	-	95,890	-	-	-	-	95,890
Total fund balance	<u>446,195</u>	<u>95,890</u>	<u>198,931</u>	<u>207,473</u>	<u>53,683</u>	<u>29,788</u>	<u>1,031,960</u>
Total liabilities and fund balances	<u>\$ 446,195</u>	<u>\$ 95,890</u>	<u>\$ 198,931</u>	<u>\$ 207,473</u>	<u>53,683</u>	<u>\$ 29,788</u>	<u>\$ 1,031,960</u>

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	SEEK Fund	District Activity Fund	School Activity Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>REVENUES:</b>							
From local sources -							
Property taxes	\$ -	\$ -	\$ -	\$ 430,203	\$ -	\$ -	\$ 430,203
Interest income	-	-	48	-	-	-	48
Other	-	1,329	488,612	-	-	-	489,941
Intergovernmental - State	210,764	-	-	535,096	-	431,896	1,177,756
Total revenues	<u>210,764</u>	<u>1,329</u>	<u>488,660</u>	<u>965,299</u>	<u>-</u>	<u>431,896</u>	<u>2,097,948</u>
<b>EXPENDITURES:</b>							
Instruction	-	21,243	321,251	-	-	-	342,494
Support Services -							
Instructional staff	-	-	47,746	-	-	-	47,746
Operation and maintenance of plant	-	2,285	-	-	-	-	2,285
Facilities acquisition and construction	-	-	-	-	22,677	-	22,677
Debt service	-	-	-	-	-	1,313,255	1,313,255
Total expenditures	<u>-</u>	<u>23,528</u>	<u>368,997</u>	<u>-</u>	<u>22,677</u>	<u>1,313,255</u>	<u>1,728,457</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>210,764</u>	<u>(22,199)</u>	<u>119,663</u>	<u>965,299</u>	<u>(22,677)</u>	<u>(881,359)</u>	<u>369,491</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating transfers in	-	106,505	-	-	22,677	911,147	1,040,329
Operating transfers out	(82,749)	-	(136,225)	(881,360)	-	-	(1,100,334)
Total other financing sources (uses)	<u>(82,749)</u>	<u>106,505</u>	<u>(136,225)</u>	<u>(881,360)</u>	<u>22,677</u>	<u>911,147</u>	<u>(60,005)</u>
NET CHANGE IN FUND BALANCE	128,015	84,306	(16,562)	83,939	-	29,788	309,486
FUND BALANCE June 30, 2021	<u>318,180</u>	<u>11,584</u>	<u>215,493</u>	<u>123,534</u>	<u>53,683</u>	<u>-</u>	<u>722,474</u>
FUND BALANCE June 30, 2022	<u>\$ 446,195</u>	<u>\$ 95,890</u>	<u>\$ 198,931</u>	<u>\$ 207,473</u>	<u>\$ 53,683</u>	<u>\$ 29,788</u>	<u>\$ 1,031,960</u>

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022**

	2012 Bond Fund	2015 Bond Fund	2015R Bond Fund	2016 Bond Fund	2020 Bond Fund	2020R Bond Fund	2021R Bond Fund	Totals Debt Service Fund
REVENUES:								
Intergovernmental - State	\$ -	\$ 68,594	\$ 135,780	\$ -	\$ 121,741	\$ -	\$ 105,781	\$ 431,896
Total revenues	<u>-</u>	<u>68,594</u>	<u>135,780</u>	<u>-</u>	<u>121,741</u>	<u>-</u>	<u>105,781</u>	<u>431,896</u>
EXPENDITURES:								
Debt service	246,048	68,594	318,274	49,700	185,437	52,500	392,702	1,313,255
Total expenditures	<u>246,048</u>	<u>68,594</u>	<u>318,274</u>	<u>49,700</u>	<u>185,437</u>	<u>52,500</u>	<u>392,702</u>	<u>1,313,255</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(246,048)</u>	<u>-</u>	<u>(182,494)</u>	<u>(49,700)</u>	<u>(63,696)</u>	<u>(52,500)</u>	<u>(286,921)</u>	<u>(881,359)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	246,048	-	182,494	49,700	93,484	52,500	286,921	911,147
Total other financing sources (uses)	<u>246,048</u>	<u>-</u>	<u>182,494</u>	<u>49,700</u>	<u>93,484</u>	<u>52,500</u>	<u>286,921</u>	<u>911,147</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	29,788	-	-	29,788
FUND BALANCE June 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,788</u>

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Cash Balance June 30, 2021	Receipts	Disbursements	Cash Balance June 30, 2022	Accounts Receivable	Accounts Payable	Restricted Fund Balance June 30, 2022
Russell High School	\$ 92,090	\$ 342,652	\$ 367,194	\$ 67,548	\$ -	\$ -	\$ 67,548
Scholarship Funds	40,804	11,773	17,817	34,760	-	-	34,760
Russell Middle School	40,091	80,214	76,668	43,637	-	-	43,637
Russell Primary School	18,889	27,706	15,998	30,597	-	-	30,597
Russell-McDowell Intermediate School	23,619	26,315	27,545	22,389	-	-	22,389
	<u>\$ 215,493</u>	<u>\$ 488,660</u>	<u>\$ 505,222</u>	<u>\$ 198,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,931</u>



RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
RUSSELL HIGH SCHOOL ACTIVITY AND SCHOLARSHIP FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Cash			Accounts		
	Balances	Receipts	Disbursements	Balances	Receivable	Restricted
	June 30, 2021			June 30, 2022	(Accounts Payable)	Fund Balance June 30, 2022
<b>Activity Funds:</b>						
Academic Team	\$ 1,310	\$ 1,600	\$ (1,700)	\$ 1,210	\$ -	\$ 1,210
After Prom	1,025	-	-	1,025	-	1,025
AP Student Textbook	130	-	-	130	-	130
Archery	-	1,020	(1,020)	-	-	-
Art/ T Perry	-	1,020	(1,020)	-	-	-
Athletics	-	56,889	(56,889)	-	-	-
Band	5,873	27,670	(21,191)	12,352	-	12,352
Baseball	-	8,298	(8,298)	-	-	-
Beta Club	36	4,365	(3,958)	443	-	443
Boys Basketball	150	23,378	(23,528)	-	-	-
Boys Basketball Camp	1,039	1,749	(925)	1,863	-	1,863
Boys Golf	-	4,554	(4,554)	-	-	-
Boys Soccer	-	6,214	(6,214)	-	-	-
Boys Tennis	-	1,633	(1,633)	-	-	-
Boys Tennis Camp	138	-	(138)	-	-	-
Boys/Girls Basketball Camp	-	4,120	(4,120)	-	-	-
Boys/Girls Swimming	-	6,590	(6,590)	-	-	-
Boys/Girls Track	-	8,615	(8,615)	-	-	-
Boys/Girls Track Camp	311	-	-	311	-	311
Choir	2,003	1,208	(1,073)	2,138	-	2,138
Comm Based Inst	-	386	-	386	-	386
Cross County	-	1,455	(1,455)	-	-	-
Culture Thru Travel	-	122	(122)	-	-	-
DAF	34,243	72,842	(107,085)	-	-	-
Drama Club	707	631	(513)	825	-	825
Faculty Lounge	225	-	(84)	141	-	141
Field Trips	366	-	-	366	-	366
Football	-	44,594	(44,594)	-	-	-
French Club	52	-	-	52	-	52
Freshman Class	77	-	-	77	-	77
Garden Club	1,183	-	-	1,183	-	1,183
General Fund	1,875	7,898	(9,067)	706	-	706
Girls Basketball	-	13,970	(13,970)	-	-	-
Girls Basketball Camp	1,322	3,316	(3,293)	1,345	-	1,345
Girls Golf	-	1,225	(1,225)	-	-	-
Girls Soccer	-	7,006	(7,006)	-	-	-
Girls Tennis	-	237	(237)	-	-	-
Girls Tennis Camp	256	-	(67)	189	-	189
Junior Class	50	-	-	50	-	50
Key Club	2,994	435	(648)	2,781	-	2,781
Latin Club	3,198	90	-	3,288	-	3,288
Library	325	-	(165)	160	-	160
Marv Meredith Class	-	255	-	255	-	255
Math Software Fees	-	1,375	(1,375)	-	-	-
National Art Honor Society	-	314	(305)	9	-	9
National English Honor Society	603	575	(823)	355	-	355
National Honor Society	-	246	-	246	-	246
Orchestra - Disney	1,503	2,787	(3,500)	790	-	790
Pep Club	771	670	(475)	966	-	966
Revilonian	-	12,684	(12,684)	-	-	-
RHS Dance Team	-	450	(450)	-	-	-
ROTC	6,210	10,792	(12,155)	4,847	-	4,847
School Store	1,500	1,599	(2,286)	813	-	813
Science - Grant	1,200	-	-	1,200	-	1,200
Science Olympiad	8,343	-	(74)	8,269	-	8,269
Senior Class	106	-	-	106	-	106
Senior Salute	1,105	40	-	1,145	-	1,145
Sociedad Honoraria	6,899	696	(1,225)	6,364	-	6,364
Softball	506	9,379	(9,885)	-	-	-
Sophomore Class	125	-	-	125	-	125
Spanish Honor Society	2,556	205	(145)	2,616	-	2,616
Special Ed School Store	46	300	(223)	123	-	123
Special Education	89	383	(376)	96	-	96
Sports Change	-	23,300	(23,300)	-	-	-
Sports Medicine	-	1,378	(1,378)	-	-	-
Student Government	-	12,778	(6,117)	6,661	-	6,661
Student Government Leadership	124	-	-	124	-	124
Swim Camp	-	806	(347)	459	-	459
Technology	-	11,530	(11,510)	20	-	20
Testing	-	5,826	(5,745)	81	-	81
Trim Fees	361	30,445	(30,701)	105	-	105
Unicef Club	39	-	-	39	-	39
Volleyball	-	6,620	(6,620)	-	-	-
Winter Guard Club	635	850	(1,378)	107	-	107
Y Club	481	2,858	(2,733)	606	-	606
	92,090	452,265	(476,807)	67,548	-	67,548
Less: Inter-fund transfers	-	(109,613)	109,613	-	-	-
	\$ 92,090	\$ 342,652	\$ (367,194)	\$ 67,548	\$ -	\$ 67,548

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
RUSSELL HIGH SCHOOL ACTIVITY AND SCHOLARSHIP FUNDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2022**

	Cash Balances <u>June 30, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balances <u>June 30, 2022</u>
<b><u>Scholarship Funds:</u></b>				
Bennett Lake Memorial Scholarship	\$ 18,565	\$ 2,630	\$ (9,906)	\$ 11,289
Cameron Weis	7,388	127	(500)	7,015
Class of 1984	85	-	-	85
Class of 1993	250	-	-	250
Cooksey Scholarship	-	3,000	(3,000)	-
Gloria McGlone Scholarship	575	-	(575)	-
KEDC Scholarship	500	-	(500)	-
Ledford Scholarship	1,500	1,500	(1,500)	1,500
Marv Meredith	7,564	7	-	7,571
Pepsi-Cola Scholarship	1,000	1,000	-	2,000
Principal Scholarship	140	-	-	140
Russell Independent Scholarship	3,237	3,509	(1,836)	4,910
	<u>\$ 40,804</u>	<u>\$ 11,773</u>	<u>\$ (17,817)</u>	<u>\$ 34,760</u>

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Education:					
Cash Assistance:					
State Administrative Expense	10.560	7700001-20	-	-	\$ 4,078
State Pandemic EBT	10.649	9990000-21	-	-	3,063
					<u>7,141</u>
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-21	-	-	181,193 *
National School Lunch Program	10.555	7970000-21	-	-	40,400 *
National School Lunch Program	10.555	7750002-22	-	-	911,732 *
National School Lunch Program	10.555	9980000-22	-	-	57,822 *
National School Breakfast Program	10.553	7760005-21	-	-	34,990 *
National School Breakfast Program	10.553	7760005-22	-	-	201,874 *
					<u>1,428,011</u>
Passed through State Department of Agriculture:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555	7750002-21	-	-	110,684 *
Total child nutrition cluster					<u>1,538,695</u>
Total U.S. Department of Agriculture					<u>1,545,836</u>
<u>U.S. Department of Education</u>					
Passed through Kentucky Department of Education:					
Title I - Grants to Local Educational Agencies	84.010	3100002-20	-	391,403	18,721
Title I - Grants to Local Educational Agencies	84.010	3100002-21	-	387,537	361,848
					<u>380,569</u>
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027	3810002-20	-	450,219	10,718
Special Education - Grants to States	84.027	3810002-21	-	457,701	457,701
Special Education - Grants to States - ARP	84.027X	4910002-21	-	114,319	68,986
Special Education - Preschool Grants	84.173	3800002-20	-	18,962	2,172
Special Education - Preschool Grants	84.173	3800002-21	-	19,050	18,121
Special Education - Preschool Grants - ARP	84.173X	4900002-21	-	15,857	13,530
Total special education cluster					<u>571,228</u>
Improving Teacher Quality State Grants	84.367	3230002-20	-	65,313	15,420
Improving Teacher Quality State Grants	84.367	3230002-21	-	65,313	31,239
					<u>46,659</u>
Title IV, Part A	84.424	3420002-19	-	6,087	1,365
Title IV Safe and Healthy Students	84.424	3420002-20	-	24,173	4,639
Title IV Effect Use of Technology	84.424	3420002-21	-	28,797	28,797
					<u>34,801</u>
ESSER Funds - CARES Act	84.425D	4000002-20	-	321,682	6,907 *
ESSER Funds III - ARPA	84.425U	4300002-21	-	2,825,113	633,722 *
ESSER Funds III Kentucky Virtual Library - ARPA	84.425U	4300005-21	-	2,444	2,444 *
ESSER Funds II - CRRSA	84.425D	4200002-21	-	1,310,443	781,190 *
ESSER Funds II - CRRSA	84.425D	4200003-21	-	182,259	130,931 *
GEER II Funds - CRRSA	84.425C	GEER-20	-	55,182	5,543 *
					<u>1,560,737</u>
Community Based Work Transition Program	84.002	371G	-	51,477	14,095
Community Based Work Transition Program	84.002	371I	-	49,425	32,967
					<u>47,062</u>
Total U.S. Department of Education					<u>2,641,056</u>

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
<u>U.S. Department of Health and Human Services</u>					
Pass-through State Department for Community Based Services:					
Child Care Aid - CRRSA	93.575	672G	-	298,080	140,844
Child Care Sustainability - ARPA	93.575	576I	-	543,728	20,634
Child Care Development Fund - CARES	93.575	658FC	-	97,980	18,585
Child Care Development Fund - CARES	93.575	658FP	-	9,000	1,446
Total U.S. Department of Health and Human Services:					<u>181,509</u>
<u>U.S. Department of Defense</u>					
Direct Programs -					
Basic, Applied, and Advanced Research in Science and Engineering	12.630	-	-	65,373	65,004
Total U.S. Department of Defense					<u>65,004</u>
<u>U.S. Federal Communications Commission</u>					
Passed through Universal Service Administrative Co.					
Emergency Connectivity Fund Program	32.009	128899	-	251,685	251,685
Total U.S. Federal Communications Commission					<u>251,685</u>
Total Expenditures of Federal Awards			<u>\$ -</u>		<u>\$ 4,685,090</u>

\*Denotes major program.

**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 Russell Independent School District under the programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Russell 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**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, 2022, the District had total inventory of \$10,625.

**NOTE D - INDIRECT COST RATE**

The Russell Independent School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgcpa.com](http://www.ksgcpa.com) Member of  GLOBAL.

**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  
Russell Independent School District  
Flatwoods, 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 Russell Independent School District (the "District") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2022.

**Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## Report on 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 financial statements. 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 10, 2022.

## 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 Booby, PSC

Ashland, Kentucky  
November 10, 2022



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

*Certified Public Accountants and Advisors*

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Russell Independent School District  
Flatwoods, Kentucky

***Opinion on Each Major Federal Program***

We have audited Russell Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kelley Hallaway Smith Hooley, PSC*  
Ashland, Kentucky  
November 10, 2022

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**(A) SUMMARY OF AUDIT RESULTS**

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP:

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 federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   x   none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes   x   no

Identification of major federal programs:

Education Stabilization Fund (84.425C, 84.425D and 84.425U)

Child Nutrition Cluster (10.553 and 10.555)

Dollar threshold to distinguish between Type A and Type B Programs:

  \$ 750,000  

The District qualified as a low risk auditee?

  x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

There were no prior year audit findings.




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

*Certified Public Accountants and Advisors*

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web [www.ksgcpa.com](http://www.ksgcpa.com) Member of  **AIA** GLOBAL

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Russell Independent School District  
Flatwoods, Kentucky

In planning and performing our audit of the financial statements of Russell Independent School District (the "District") as of and for the year ended June 30, 2022, 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 these matters. This letter does not affect our report dated November 10, 2022, 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 with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
November 10, 2022

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2022-01 DEPOSIT OF GATE RECEIPTS:**

*Condition:* We noted two instances at Russell High School in which gate receipt funds were not deposited until the second business day after the event. Also, we noted one instance at Russell Middle School in which gate receipt funds were not deposited until the third business day after the event.

*Criteria for Condition:* The *Redbook*, updated effective August 1, 2019, requires all funds in excess of \$100 to be deposited the next business day.

*Cause of Condition:* Oversight.

*Effect of Condition:* Noncompliance with *Redbook* requirements.

*Recommendation for Correction:* We recommend that the District implement procedures to ensure that funds in excess of \$100 are deposited the following business day as required by the *Redbook*.

*Management Response:* The District recognizes the oversight of the timing of deposits. The events occurred during the absence of the school bookkeepers. The District will create a procedure to ensure the deposits are made timely during said absences.

Status of Prior Year Management Points

The prior year conditions have been implemented and corrected except that 2022-01 was a repeat from the prior year. M. Sean Horn, Superintendent, is the person responsible for initiation of corrective actions for the above matter, which will be implemented immediately. The corrective action plan is the management response for each condition.