# RUSSELL INDEPENDENT SCHOOL DISTRICT

## FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2023

### TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

# TABLE OF CONTENTS

*****************


Page

**INDEPENDENT AUDITOR'S REPORT** .......... 3-5

**MANAGEMENT'S DISCUSSION AND ANALYSIS** .......... 6-10

**BASIC FINANCIAL STATEMENTS:**

**Government-wide Financial Statements -**
Statement of Net Position .......... 11
Statement of Activities .......... 12

**Fund Financial Statements -**
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

**REQUIRED SUPPLEMENTAL INFORMATION:**
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 .......... 63-66

**SUPPLEMENTAL INFORMATION:**
Combining Balance Sheet - Non-Major Governmental Funds .......... 67
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Non-Major Governmental Funds .......... 68
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Non-Major Debt Service Funds .......... 69
Statement of Changes in Assets and Liabilities - School Activity Funds .......... 70
Statement of Changes in Assets and Liabilities - Russell High School Activity and Scholarship Funds .......... 71-72
Schedule of Expenditures of Federal Awards .......... 73-74

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* ............... 75-76

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .......... 77-79

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ............................................ 80

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .............................................. 81

INDEPENDENT AUDITOR'S TRANSMITTAL LETTER FOR MANAGEMENT LETTER POINTS ........................................................... 82

MANAGEMENT LETTER POINTS ..................................................................... 83

*****************

**Kelley Galloway Smith Goolsby, 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.kgsgcpa.com Member of Allinial 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, 2023, 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, 2023, 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, Schedule of Proportionate Share of the OPEB Liability, Schedule of Pension Contributions, and Schedule of OPEB Contributions on pages 54 through 66 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 opinions 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 1, 2023, 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 Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 1, 2023

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**
**FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. 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 decreased from $5.1 million at June 30, 2022 to $5.0 million at June 30, 2023. The decrease is due to a deficit Special Revenue Fund balance (Fund 2). The deficit was due to the timing of reimbursement of Federal programs expenditures that was not received until July 2023. The monies were transferred from the General Fund at June 30, 2023 and were returned to the General Fund in July 2023 after the reimbursements were receipted by the District.

- The General Fund had $25.2 million in revenue, of which 66.1% consisted of state funding (SEEK program and on-behalf payments for insurance and retirement) and 30.6% in property, utilities, and motor vehicle taxes. Expenditures totaled $25.3 million (including on-behalf payments) for the General Fund. Wages and benefits were 80.1% 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 2022-2023 year, our average certified teacher wage was $61,302, or 21st highest of 170 districts. The state-wide teacher average was $61,247 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 $880,664 in bond principal and interest payments during the 2022-2023 year. The School Facilities Construction Commission of the state of Kentucky also either assists or fully pays certain outstanding debt. This totaled $434,013 for the fiscal year.

- Average Daily Attendance (ADA) drives our portion of SEEK and is the largest source of revenue for the District. Due to the Pandemic, the Department of Education froze the funding mechanism for the current year at the 2018-2019 ADA amount, which was 2,033.54.

- The District constructed a Multi-Purpose Athletic facility during the current year at a cost of $722,758. The District used $465,032 in bond proceeds and the remainder was paid from the General Fund. The District also began an extensive renovation for Russell High School towards the end of the school year that includes the addition of a fire suppression system throughout the building and the addition of new public restrooms in the common area of the school. The cost of the project is estimated to be $2.7 million, which will be funded by a $2.2 million bond issuance and cash reserves from the Capital Outlay and Building funds.

- The financial statements include payments made by the Commonwealth of Kentucky for retirement, bond payments, health insurance, life insurance, administrative fees, and technology. The total amount was $7.8 and $6.4 million for 2023 and 2022 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 \$4.8 and \$3.9 million as of June 30, 2023 and 2022, 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, 2023 and 2022**

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

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Current Assets | $ 8,969,539 | $ 7,519,462 |
| Noncurrent Assets | 24,723,015 | 23,915,786 |
| Total Assets | $ 33,692,554 | $ 31,435,248 |
| Deferred outflows of resources | $ 5,351,431 | $ 3,987,229 |
| Current Liabilities | $ 1,985,468 | $ 2,028,701 |
| Noncurrent Liabilities | 28,398,017 | 24,598,375 |
| Total Liabilities | $ 30,383,485 | $ 26,627,076 |
| Deferred inflows of resources | $ 3,850,819 | $ 4,937,198 |
| Net Position | | |
| Net investment in capital assets | $ 10,207,158 | $ 11,251,287 |
| Restricted | 1,887,402 | 216,137 |
| Unrestricted | (7,285,879) | (7,609,221) |
| Total Net Position | $ 4,809,681 | $ 3,858,203 |

The overall net position increase of approximately $0.95 million for 2023 as compared to 2022 is primarily due to the increase in deferred outflows with the combined decrease in deferred inflows of resources. The associated retirement systems had a reverse in financial position in the current year creating the improved position for the District.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2023, with comparison to 2022.

| | 2023 | 2022 |
|---|---|---|
| **Revenues:** | | |
| Local Revenue Sources | $ 9,823,804 | $ 8,702,026 |
| State Revenue Sources | 15,929,761 | 6,410,379 |
| Federal Revenue | 4,359,243 | 4,784,616 |
| Total Revenues | 30,112,808 | 19,897,021 |
| **Expenses:** | | |
| Instruction | 15,040,331 | 7,450,592 |
| Student Support Services | 1,109,415 | 501,039 |
| Instructional Support | 2,950,183 | 2,060,751 |
| District Administration | 1,149,090 | 817,401 |
| School Administration | 1,429,938 | 747,819 |
| Plant Operations | 3,816,095 | 3,238,531 |
| Student Transportation | 852,731 | 959,650 |
| Business and Other Support Services | 434,817 | 256,553 |
| Community Services | 123,253 | 116,350 |
| Debt Service | 360,763 | 290,615 |
| Food Service | 1,489,434 | 1,454,991 |
| Child Care Operations | 405,280 | 190,407 |
| Total Expenses | 29,161,330 | 18,084,699 |
| Revenues in Excess (Deficiency) of Expenses | $ 951,478 | $ 1,812,322 |

## FUND FINANCIAL ANALYSIS

The large increase in revenues and expenditures is due to the adjustments required for GASB 68 and GASB 75 as noted in the Required Supplemental Information of this report. Of the total General Fund expenditures, indicated for 2023 and 2022 respectively; site-based councils and student support expended 75.3% and 77.2%, 12.6% and 12.0% was spent for maintenance and operations, 6.5% and 6.0% on administration, and 3.6% and 3.9% on transportation.

The following table presents a summary of revenues and expenses by fund as presented in the Annual Financial Report under the reporting method required by the Kentucky Department of Education for the fiscal years ended June 30, 2023 and 2022 for selected funds:

| | | | **June 30, 2023** | | | |
|---|---|---|---|---|---|---|
| **Revenues:** | General Fund | Special Revenue | Project and Activity | Food Service | Child Care Funds | Total |
| Local sources | $ 8,013,531 | $ 216,575 | $ 1,071,881 | $ 339,671 | $ 182,146 | $ 9,823,804 |
| State sources | 16,692,219 | 697,500 | 1,269,137 | 84,746 | 19,056 | 18,762,658 |
| Federal sources | 333,205 | 2,998,741 | - | 1,027,297 | - | 4,359,243 |
| Debt proceeds | 115,658 | - | 2,810,520 | - | - | 2,926,178 |
| Transfers | 94,597 | 49,261 | 1,652,073 | 28,569 | - | 1,824,500 |
| Total Revenues | 25,249,210 | 3,962,077 | 6,803,611 | 1,480,283 | 201,202 | 37,696,383 |
| **Expenses:** | | | | | | |
| Instruction | 13,900,938 | 2,583,800 | 453,309 | - | - | 16,938,047 |
| Student support | 1,094,338 | 140,959 | 62,031 | - | - | 1,297,328 |
| Instructional support | 2,426,260 | 709,395 | 108 | - | - | 3,135,763 |
| District administration | 1,176,655 | - | - | - | - | 1,176,655 |
| School administration | 1,652,891 | - | - | - | - | 1,652,891 |
| Business support | 474,377 | - | - | - | - | 474,377 |
| Plant operations | 3,201,704 | 164,973 | 2,383 | - | - | 3,369,060 |
| Student transportation | 914,683 | 11,027 | - | - | - | 925,710 |
| Community support | 2,936 | 122,484 | - | - | - | 125,420 |
| Food services | 35,389 | - | - | 1,456,080 | - | 1,491,469 |
| Child care services | - | 229,439 | - | - | 186,625 | 416,064 |
| Facilities acquisition and construction | - | - | 1,769,311 | - | - | 1,769,311 |
| Debt service | 95,186 | - | 1,363,927 | - | - | 1,459,113 |
| Transfers | 359,300 | - | 1,454,415 | 10,785 | - | 1,824,500 |
| Total expenses | 25,334,657 | 3,962,077 | 5,105,484 | 1,466,865 | 186,625 | 36,055,708 |
| Revenues over (under) Expenses | $ (85,447) | $ - | $ 1,698,127 | $ 13,418 | $ 14,577 | $ 1,640,675 |

| Revenues: | General Fund | Special Revenue | Project and Activity | Food Service | Child Care Funds | Total |
|---|---|---|---|---|---|---|
| | | | **June 30, 2022** | | | |
| 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 |
| Total Revenues | 23,159,368 | 3,507,213 | 3,138,277 | 1,665,737 | 97,780 | 31,568,375 |
| **Expenses:** | | | | | | |
| 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 |
| Total expenses | 22,256,776 | 3,507,213 | 2,828,791 | 1,425,374 | 99,737 | 30,117,891 |
| Revenues over (under) Expenses | $ 902,592 | $ - | $ 309,486 | $ 240,363 | $ (1,957) | $ 1,450,484 |

**BUDGETARY IMPLICATIONS FOR 2023-24**

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 2023 well in excess of the minimum. The Board adopted a 2% salary increase for certified and classified workers for 2023-2024. The District does not anticipate any contingency issues during the 2023-2024 school year, or beyond. District Management does anticipate a significant decrease in SEEK funding for the 2023-2024 year due to a 5.5% drop in ADA. Officials believe the funding loss can be offset by employee attrition and federal program funding. 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, Ed.D., Superintendent or to Dennis C. Chambers, CPA, Chief Financial Officer at (606) 836-9679, e-mail atsean.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, 2023**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 7,739,047 | $ 526,814 | $ 8,265,861 |
| Receivables (net of allowances for uncollectibles): | | | |
| Property taxes | 134,946 | - | 134,946 |
| Other | 19,097 | - | 19,097 |
| Intergovernmental - federal and state | 524,815 | 7,127 | 531,942 |
| Inventories | - | 17,693 | 17,693 |
| Right to use leased assets, net | 50,520 | - | 50,520 |
| Capital assets, not being depreciated | 1,526,394 | - | 1,526,394 |
| Capital assets, being depreciated, net | 23,041,912 | 104,189 | 23,146,101 |
| Total assets | 33,036,731 | 655,823 | 33,692,554 |
| **Deferred Outflows of Resources** | | | |
| Deferred savings from refunding bonds | 89,082 | - | 89,082 |
| Deferred outflows - OPEB related | 4,023,443 | 104,999 | 4,128,442 |
| Deferred outflows - pension related | 946,717 | 187,190 | 1,133,907 |
| Total deferred outflows of resources | 5,059,242 | 292,189 | 5,351,431 |
| **Liabilities** | | | |
| Accounts payable | 113,441 | 317 | 113,758 |
| Accrued payroll and employee benefits | 150,926 | - | 150,926 |
| Unearned revenue | 426,059 | - | 426,059 |
| Portion due or payable within one year: | | | |
| Leases payable | 13,974 | - | 13,974 |
| Notes payable | 75,278 | - | 75,278 |
| Bond obligations | 1,105,000 | - | 1,105,000 |
| Interest Payable | 100,473 | - | 100,473 |
| Noncurrent liabilities: | | | |
| Net OPEB liability | 7,462,989 | 245,828 | 7,708,817 |
| Net pension liability | 6,047,344 | 1,132,729 | 7,180,073 |
| Leases payable | 37,091 | - | 37,091 |
| Notes payable | 285,077 | - | 285,077 |
| Bond obligations | 12,988,046 | - | 12,988,046 |
| Accrued sick leave | 198,913 | - | 198,913 |
| Total liabilities | 29,004,611 | 1,378,874 | 30,383,485 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows - OPEB related | 3,249,994 | 127,463 | 3,377,457 |
| Deferred inflows - pension related | 415,765 | 57,597 | 473,362 |
| Total deferred inflows of resources | 3,665,759 | 185,060 | 3,850,819 |
| **Net Position** | | | |
| Net investment in capital assets | 10,102,969 | 104,189 | 10,207,158 |
| Restricted for: | | | |
| Capital projects | 2,400,977 | - | 2,400,977 |
| Other purposes | 206,536 | (720,111) | (513,575) |
| Unrestricted | (7,284,879) | - | (7,284,879) |
| Total net position | $ 5,425,603 | $ (615,922) | $ 4,809,681 |

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, 2023

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-Type Activities | Total |
|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | $ 15,040,331 | $ - | $ 2,317,964 | $ - | $ (12,722,367) | $ - | $ (12,722,367) |
| Support services: | | | | | | | |
| Students | 1,109,415 | - | 258,164 | - | (851,251) | - | (851,251) |
| Instructional staff | 2,950,183 | - | 925,395 | - | (2,024,788) | - | (2,024,788) |
| District administration | 1,149,090 | - | - | - | (1,149,090) | - | (1,149,090) |
| School administration | 1,429,938 | - | - | - | (1,429,938) | - | (1,429,938) |
| Business and other support services | 434,817 | - | - | - | (434,817) | - | (434,817) |
| Operation and maintenance of plant | 3,816,095 | - | 164,973 | - | (3,651,122) | - | (3,651,122) |
| Student transportation | 852,731 | - | 11,027 | - | (841,704) | - | (841,704) |
| Food service operations | 33,354 | - | - | - | (33,354) | - | (33,354) |
| Child care operations | 218,655 | - | 229,439 | - | 10,784 | - | 10,784 |
| Community services | 123,253 | - | 122,484 | - | (769) | - | (769) |
| Debt service-interest | 360,763 | - | - | 1,269,137 | 908,374 | - | 908,374 |
| Total governmental activities | 27,518,625 | - | 4,029,446 | 1,269,137 | (22,220,042) | - | (22,220,042) |
| Business-type activities: | | | | | | | |
| Food service | 1,456,080 | 339,671 | 1,112,043 | - | - | (4,366) | (4,366) |
| Child care fund | 186,625 | 182,146 | 19,056 | - | - | 14,577 | 14,577 |
| Total business-type activities | 1,642,705 | 521,817 | 1,131,099 | - | - | 10,211 | 10,211 |
| Total primary government | $ 29,161,330 | $ 521,817 | $ 5,160,545 | $ 1,269,137 | $ (22,220,042) | $ 10,211 | $ (22,209,831) |

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | $ 6,420,480 | $ - | $ 6,420,480 |
| Motor vehicle | 777,729 | - | 777,729 |
| Utilities | 982,771 | - | 982,771 |
| Intergovernmental revenues: | | | |
| State | 13,859,322 | - | 13,859,322 |
| Investment earnings | 260,881 | - | 260,881 |
| Other local revenues | 860,126 | - | 860,126 |
| Total general revenues | 23,161,309 | - | 23,161,309 |
| Transfers | (17,784) | 17,784 | - |
| Change in net position | 923,483 | 27,995 | 951,478 |
| Net position, June 30, 2022 | 4,502,120 | (643,917) | 3,858,203 |
| Net position, June 30, 2023 | $ 5,425,603 | $ (615,922) | $ 4,809,681 |

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2023**

| | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 5,005,435 | $ - | $ 1,814,940 | $ 918,672 | $ 7,739,047 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes - current | 121,595 | - | - | - | 121,595 |
| Taxes - delinquent | 13,351 | - | - | - | 13,351 |
| Other | 19,097 | - | - | - | 19,097 |
| Intergovernmental - state | - | 524,815 | - | - | 524,815 |
| Interfund receivable | 97,784 | - | - | - | 97,784 |
| Total assets | $ 5,257,262 | $ 524,815 | $ 1,814,940 | $ 918,672 | $ 8,515,689 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 108,944 | $ 972 | $ 3,525 | $ - | $ 113,441 |
| Accrued payroll and employee benefits | 150,926 | - | - | - | 150,926 |
| Unearned revenue | - | 426,059 | - | - | 426,059 |
| Interfund payable | - | 97,784 | - | - | 97,784 |
| Total liabilities | 259,870 | 524,815 | 3,525 | - | 788,210 |
| Fund balances: | | | | | |
| Restricted | - | - | 1,811,415 | 796,098 | 2,607,513 |
| Committed | 145,655 | - | - | 122,574 | 268,229 |
| Assigned | 198,913 | - | - | - | 198,913 |
| Unassigned | 4,652,824 | - | - | - | 4,652,824 |
| Total fund balances | 4,997,392 | - | 1,811,415 | 918,672 | 7,727,479 |
| Total liabilities and fund balances | $ 5,257,262 | $ 524,815 | $ 1,814,940 | $ 918,672 | $ 8,515,689 |

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, 2023**

| | | |
|---|---|---|
| Fund balances—total governmental funds | | $ 7,727,479 |
| 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. | | 24,568,306 |
| Savings from refunding bonds are not available to pay current period expenditures and therefore, are not reported in the funds. | | 89,082 |
| Right to use leased assets of $67,185, net of accumulated of $16,665, used in governmental activities are not financial resources and therefore are not reported in governmental funds | | 50,520 |
| 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. | | 1,304,401 |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net OPEB liability | (7,462,989) | |
| Net pension liability | (6,047,344) | |
| Bonds payable | (14,093,046) | |
| Notes payable | (360,355) | |
| Leases payable | (51,065) | |
| Accrued interest payable | (100,473) | |
| Accrued sick leave | (198,913) | (28,314,185) |
| Net position of governmental activities | | $ 5,425,603 |

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, 2023

| | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes - | | | | | |
| Property | $ 5,974,160 | $ - | $ - | $ 446,320 | $ 6,420,480 |
| Motor vehicles | 777,729 | - | - | - | 777,729 |
| Utilities | 982,771 | - | - | - | 982,771 |
| Interest income | 217,892 | - | 42,590 | 399 | 260,881 |
| Other local revenues | 60,979 | 216,575 | - | 582,572 | 860,126 |
| Intergovernmental - State | 16,692,219 | 697,500 | - | 1,269,137 | 18,658,856 |
| Intergovernmental - Indirect federal | 216,000 | 2,913,112 | - | - | 3,129,112 |
| Intergovernmental - Direct federal | 117,205 | 85,629 | - | - | 202,834 |
| Total revenues | 25,038,955 | 3,912,816 | 42,590 | 2,298,428 | 31,292,789 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 13,900,938 | 2,583,800 | - | 453,309 | 16,938,047 |
| Support services: | | | | | |
| Students | 1,094,338 | 140,959 | - | 62,031 | 1,297,328 |
| Instructional staff | 2,426,260 | 709,395 | - | 108 | 3,135,763 |
| District administration | 1,176,655 | - | - | - | 1,176,655 |
| School administration | 1,652,891 | - | - | - | 1,652,891 |
| Business and other support services | 474,377 | - | - | - | 474,377 |
| Operation and maintenance of plant | 3,201,704 | 164,973 | - | 2,383 | 3,369,060 |
| Student transportation | 914,683 | 11,027 | - | - | 925,710 |
| Food service operation | 35,389 | - | - | - | 35,389 |
| Child care operations | - | 229,439 | - | - | 229,439 |
| Community services | 2,936 | 122,484 | - | - | 125,420 |
| Facilities acquisition and construction | - | - | 1,769,311 | - | 1,769,311 |
| Debt service | 95,186 | - | 49,250 | 1,314,677 | 1,459,113 |
| Total expenditures | 24,975,357 | 3,962,077 | 1,818,561 | 1,832,508 | 32,588,503 |
| Excess (deficiency) of revenues over (under) expenditures | 63,598 | (49,261) | (1,775,971) | 465,920 | (1,295,714) |
| Other financing sources (uses): | | | | | |
| Bond proceeds | - | - | 2,865,000 | - | 2,865,000 |
| Discount on bonds | - | - | (54,480) | - | (54,480) |
| Note proceeds | 115,658 | - | - | - | 115,658 |
| Transfers in | 94,597 | 49,261 | 723,183 | 928,890 | 1,795,931 |
| Transfers out | (359,300) | - | - | (1,454,415) | (1,813,715) |
| Total other financing sources and uses | (149,045) | 49,261 | 3,533,703 | (525,525) | 2,908,394 |
| Net change in fund balances | (85,447) | - | 1,757,732 | (59,605) | 1,612,680 |
| Fund balances, June 30, 2022 | 5,082,839 | - | 53,683 | 978,277 | 6,114,799 |
| Fund balances, June 30, 2023 | $ 4,997,392 | $ - | 1,811,415 | $ 918,672 | $ 7,727,479 |

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, 2023

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 1,612,680 |
| 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 | 1,938,197 | |
| Depreciation expense | (1,182,229) | |
| | | 755,968 |
| New right to use lease assets | 36,097 | |
| Right to use leased assets amortization expense | (13,009) | 23,088 |
| 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 | (2,832,897) | |
| KTRS pension and OPEB expense | 3,017,474 | |
| CERS contributions | 106,923 | |
| CERS pension and OPEB expense | 103,295 | |
| | | 394,795 |
| 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 | | (12,132) |
| Interest payable | | (25,388) |
| Amortization of deferred savings from refunding bonds | | (16,468) |
| Amortization of bond discounts and premiums | | 1,609 |
| 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. | | |
| Bond proceeds | (2,865,000) | |
| Discount on bonds | 54,480 | |
| Note proceeds | (115,658) | |
| New leases payable | (36,096) | |
| Lease payments | 12,905 | |
| Debt payments | 1,138,700 | (1,810,669) |
| Change in net position of governmental activities | | $ 923,483 |

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, 2023

| | Food Service Fund | Child Care Fund | Total Proprietary Funds |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 408,583 | $ 118,231 | $ 526,814 |
| Accounts receivable | 7,127 | - | 7,127 |
| Inventories | 17,693 | - | 17,693 |
| Total current assets | 433,403 | 118,231 | 551,634 |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | 104,189 | - | 104,189 |
| Total noncurrent assets | 104,189 | - | 104,189 |
| Total assets | 537,592 | 118,231 | 655,823 |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows - OPEB related | 95,574 | 9,425 | 104,999 |
| Deferred outflows - pension related | 116,674 | 70,516 | 187,190 |
| Total deferred outflows of resources | 212,248 | 79,941 | 292,189 |
| Total assets and deferred outflows | $ 749,840 | $ 198,172 | $ 948,012 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 250 | $ 67 | $ 317 |
| Total current liabilities | 250 | 67 | 317 |
| Noncurrent liabilities: | | | |
| Net OPEB liability | 224,250 | 21,578 | 245,828 |
| Net pension liability | 818,539 | 314,190 | 1,132,729 |
| Total liabilities | 1,043,039 | 335,835 | 1,378,874 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows - OPEB related | 110,220 | 17,243 | 127,463 |
| Deferred inflows - pension related | 54,793 | 2,804 | 57,597 |
| Total deferred inflows of resources | 165,013 | 20,047 | 185,060 |
| **Net Position** | | | |
| Invested in capital assets | 104,189 | - | 104,189 |
| Restricted | (562,401) | (157,710) | (720,111) |
| Total net position | (458,212) | (157,710) | (615,922) |
| Total liabilities, deferred inflows, and net position | $ 749,840 | $ 198,172 | $ 948,012 |

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, 2023

| | Food Service Fund | Child Care Fund | Total Proprietary Funds |
|---|---|---|---|
| Operating revenues: | | | |
| Lunchroom sales | $ 339,671 | $ - | $ 339,671 |
| Other revenue | - | 182,146 | 182,146 |
| Total operating revenues | 339,671 | 182,146 | 521,817 |
| Operating expenses: | | | |
| Salaries and wages | 391,777 | 105,938 | 497,715 |
| Employee benefits | 175,789 | 32,059 | 207,848 |
| Contract services | 18,044 | 2,729 | 20,773 |
| Materials and supplies | 857,496 | 45,899 | 903,395 |
| Depreciation | 12,974 | - | 12,974 |
| Total operating expenses | 1,456,080 | 186,625 | 1,642,705 |
| Operating income (loss) | (1,116,409) | (4,479) | (1,120,888) |
| Nonoperating revenues (expenses) : | | | |
| Federal grants | 918,273 | - | 918,273 |
| Donated commodities | 109,024 | - | 109,024 |
| State grants | 84,746 | 19,056 | 103,802 |
| Total nonoperating revenue | 1,112,043 | 19,056 | 1,131,099 |
| Transfers in | 28,569 | - | 28,569 |
| Transfers out | (10,785) | - | (10,785) |
| Total transfers | 17,784 | - | 17,784 |
| Increase (decrease) in net position | 13,418 | 14,577 | 27,995 |
| Net position, June 30, 2022 | (471,630) | (172,287) | (643,917) |
| Net position, June 30, 2023 | $ (458,212) | $ (157,710) | $ (615,922) |

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, 2023**

| | Food Service Fund | Child Care Fund | Total Proprietary Funds |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash received from: | | | |
| Lunchroom sales | $ 339,671 | $ - | $ 339,671 |
| Other operating revenues | - | 182,146 | 182,146 |
| Cash paid to/for: | | | |
| Payments to suppliers and providers of goods and services | (773,334) | (48,628) | (821,962) |
| Payments to employees | (526,347) | (121,691) | (648,038) |
| Net cash provided by (used for) operating activities | (960,010) | 11,827 | (948,183) |
| Cash flows from noncapital financing activities: | | | |
| Governmental grants | 925,421 | - | 925,421 |
| Transfer from other funds, net | 17,784 | - | 17,784 |
| Net cash provided by noncapital financing activities | 943,205 | - | 943,205 |
| Cash flows from capital and related financing activities: | | | |
| Purchases of capital assets | (41,147) | - | (41,147) |
| Net cash used for capital and related financing activities | (41,147) | - | (41,147) |
| Net increase (decrease) in cash and cash equivalents | (57,952) | 11,827 | (46,125) |
| Cash and cash equivalents, June 30, 2022 | 466,535 | 106,404 | 572,939 |
| Cash and cash equivalents, June 30, 2023 | $ 408,583 | $ 118,231 | $ 526,814 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | $ (1,116,409) | $ (4,479) | $ (1,120,888) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 12,974 | - | 12,974 |
| Donated commodities | 109,024 | - | 109,024 |
| On-behalf payments | 70,471 | 19,056 | 89,527 |
| Net pension adjustment | (29,252) | (2,750) | (32,002) |
| Change in assets and liabilities: | | | |
| Inventories | (7,068) | - | (7,068) |
| Accounts payable | 250 | - | 250 |
| Net cash provided by (used for) operating activities | $ (960,010) | $ 11,827 | $ (948,183) |
| Non-cash items: | | | |
| Donated commodities | $ 109,024 | $ - | $ 109,024 |
| On-behalf payments | 70,471 | 19,056 | 89,527 |

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, 2023

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| Revenues: | | | | |
| Taxes - | | | | |
| Property | $ 5,680,000 | $ 5,780,000 | $ 5,974,160 | $ 194,160 |
| Motor vehicles | 610,000 | 650,000 | 777,729 | 127,729 |
| Utilities | 830,000 | 850,000 | 982,771 | 132,771 |
| Interest income | 15,000 | 15,000 | 217,892 | 202,892 |
| Other local revenues | 30,000 | 30,000 | 60,979 | 30,979 |
| Intergovernmental - State | 15,189,903 | 15,350,915 | 16,692,219 | 1,341,304 |
| Intergovernmental - Indirect federal | - | - | 216,000 | 216,000 |
| Intergovernmental - Direct federal | 50,000 | 70,000 | 117,205 | 47,205 |
| Total revenues | 22,404,903 | 22,745,915 | 25,038,955 | 2,293,040 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 12,439,693 | 12,724,036 | 13,900,938 | (1,176,902) |
| Support services: | | | | |
| Students | 1,140,984 | 1,002,988 | 1,094,338 | (91,350) |
| Instructional staff | 1,650,019 | 1,707,973 | 2,426,260 | (718,287) |
| District administration | 1,063,112 | 1,082,500 | 1,176,655 | (94,155) |
| School administration | 1,507,566 | 1,669,552 | 1,652,891 | 16,661 |
| Business and other support services | 411,080 | 471,683 | 474,377 | (2,694) |
| Operation and maintenance of plant | 2,812,491 | 2,848,931 | 3,201,704 | (352,773) |
| Student transportation | 889,195 | 876,372 | 914,683 | (38,311) |
| Food service operations | 55,038 | 53,005 | 35,389 | 17,616 |
| Community services | 48,500 | 8,106 | 2,936 | 5,170 |
| Contingency | 4,600,000 | 4,734,137 | - | 4,734,137 |
| Debt service | 94,916 | 94,916 | 95,186 | (270) |
| Total expenditures | 26,712,594 | 27,274,199 | 24,975,357 | 2,298,842 |
| Excess (deficiency) of revenues over (under) expenditures | (4,307,691) | (4,528,284) | 63,598 | 4,591,882 |
| Other financing sources (uses): | | | | |
| Note proceeds | - | - | 115,658 | 115,658 |
| Transfers in | 57,691 | 57,691 | 94,597 | 36,906 |
| Transfers out | (50,000) | (400,000) | (359,300) | 40,700 |
| Total other financing sources and uses | 7,691 | (342,309) | (149,045) | 193,264 |
| Net change in fund balances | (4,300,000) | (4,870,593) | (85,447) | 4,785,146 |
| Fund balances, June 30, 2022 | 4,300,000 | 4,870,593 | 5,082,839 | 212,246 |
| Fund balances, June 30, 2023 | $ - | $ - | $ 4,997,392 | $ 4,997,392 |

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, 2023

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| Revenues: | | | | |
| Student Fees | $ 4,000 | $ 4,000 | $ 1,361 | $ (2,639) |
| Other local revenues | - | - | 215,214 | 215,214 |
| Intergovernmental - State | 466,744 | 509,839 | 697,500 | 187,661 |
| Intergovernmental - Indirect federal | 1,013,888 | 1,012,084 | 2,913,112 | 1,901,028 |
| Intergovernmental - Direct federal | - | 72,500 | 85,629 | 13,129 |
| Total revenues | 1,484,632 | 1,598,423 | 3,912,816 | 2,314,393 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 886,618 | 957,314 | 2,583,800 | (1,626,486) |
| Support services: | | | | |
| Students | 74,608 | 117,703 | 140,959 | (23,256) |
| Instructional staff | 378,658 | 378,658 | 709,395 | (330,737) |
| Operation and maintenance of plant | 61,000 | 61,000 | 164,973 | (103,973) |
| Student transportation | 9,248 | 9,248 | 11,027 | (1,779) |
| Child care operations | - | - | 229,439 | (229,439) |
| Community services | 119,500 | 119,500 | 122,484 | (2,984) |
| Contingency | - | - | - | - |
| Total expenditures | 1,529,632 | 1,643,423 | 3,962,077 | (2,318,654) |
| Excess (deficiency) of revenues over (under) expenditures | (45,000) | (45,000) | (49,261) | (4,261) |
| Other financing sources (uses): | | | | |
| Transfers in | 45,000 | 45,000 | 49,261 | 4,261 |
| Transfers out | - | - | - | - |
| Total other financing sources and uses | 45,000 | 45,000 | 49,261 | 4,261 |
| Net change in fund balances | - | - | - | - |
| Fund balances, June 30, 2022 | - | - | - | - |
| Fund balances, June 30, 2023 | $ - | $ - | $ - | $ - |

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

## (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. This is a major fund of the District.

(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 2023 fiscal year was based was $892,040,641.

The property tax rates assessed for the year ended June 30, 2023 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, 2023 were 95.87% 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 in accordance with 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:

| Description | Governmental Activities Estimated Lives |
|---|---|
| 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, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets and right to use leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and increased by any deferred savings from refunding bonds. 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 then.

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 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 was effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's 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, 2022;
- 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 were 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 thru the year ending June 30, 2023 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, 2023, was as follows:

| Governmental Activities | June 30, 2022 | Additions | Deductions | June 30, 2023 |
|---|---|---|---|---|
| Land | $ 460,688 | $ - | $ - | $ 460,688 |
| Land improvements | 3,253,724 | - | - | 3,253,724 |
| Buildings and improvements | 35,850,141 | 722,758 | - | 36,572,899 |
| Technology equipment | 3,074,219 | 40,744 | - | 3,114,963 |
| General equipment | 1,097,827 | 11,861 | - | 1,109,688 |
| Vehicles | 2,170,629 | 115,658 | - | 2,286,287 |
| Construction in progress | 18,530 | 1,769,933 | 722,757 | 1,065,706 |
| Totals at historical cost | 45,925,758 | 2,660,954 | 722,757 | 47,863,955 |
| Less: accumulated depreciation - | | | | |
| Land improvements | (2,054,885) | (82,571) | - | (2,137,456) |
| Buildings and improvements | (14,589,176) | (874,734) | - | (15,463,910) |
| Technology equipment | (2,768,488) | (111,202) | - | (2,879,690) |
| Vehicles | (1,851,957) | (68,063) | - | (1,920,020) |

| | | | | |
|---|---|---|---|---|
| General equipment | (848,914) | (45,659) | - | (894,573) |
| Total accumulated depreciation | (22,113,420) | (1,182,229) | - | (23,295,649) |
| Governmental Activities Capital Assets-Net | $ 23,812,338 | $ 1,478,725 | $ 722,757 | $ 24,568,306 |
| Business-Type Activities | | | | |
| Food service land improvements | $ 2,350 | $ - | $ - | $ 2,350 |
| Food service equipment | 658,854 | 41,147 | - | 700,001 |
| Technology equipment | 27,248 | - | - | 27,248 |
| Totals at historical cost | 688,452 | 41,147 | - | 729,599 |
| Less: accumulated depreciation - | | | | |
| Land improvements | (2,007) | (118) | - | (2,125) |
| Equipment | (583,181) | (12,856) | - | (596,037) |
| Technology equipment | (27,248) | - | - | (27,248) |
| Total accumulated depreciation | (612,436) | (12,974) | - | (625,410) |
| Business-Type Activities Capital Assets-Net | $ 76,016 | $ 28,173 | $ - | $ 104,189 |

Depreciation expense is allocated to governmental functions as follows:

| | |
|---|---|
| Instruction | $ 520,220 |
| District administration | 50,198 |
| Plant operation and maintenance | 541,408 |
| Student transportation | 70,403 |
| | $ 1,182,229 |

## (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, 2023, was as follows:

| | June 30, 2022 | Additions | Deductions | June 30, 2023 |
|---|---|---|---|---|
| Intangible right to use assets | $ 48,148 | $ 36,097 | $ (17,060) | $ 67,185 |
| Totals at historical cost | 48,148 | 36,097 | (17,060) | 67,185 |
| Less: accumulated amortization | (20,716) | (13,009) | 17,060 | (16,665) |
| Right to use leased assets - Net | $ 27,432 | $ 23,088 | $ - | $ 50,520 |

## (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.

*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.

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or 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 10 years. New members after July 1, 2002, who retire with 10 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 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.

For Members On or After July 1, 2008, and Before Jan. 1, 2022: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 60 and complete five years of Kentucky service, or
2.) Complete 27 years of Kentucky service, or
3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For Members On or After Jan. 1, 2022: To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 57 and complete 10 years of Kentucky service, or
2.) Attain age 65 and complete five years of Kentucky service.

Foundational Benefit - The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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). For members who began participating before Jan. 1, 2022, non-university members are required to contribute 12.855% of their salaries to the system; university members are required to contribute 10.4% of their salaries. KRS 161.565 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to TRS. For members employed by local school districts, the state (as a non-employer contributing entity) contributes 13.105% of salary for those who joined before July 1, 2008, and 14.105% for those who joined on or after July 1, 2008, and before Jan. 1, 2022. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

For members who began participating on or after Jan. 1, 2022, non-university members contribute 14.75% and university members contribute 9.775% of their salaries to the system. Employers of non-university members, including the state (as a non-employer contributing entity), contribute 10.75% of salary. University employers contribute 9.775% of member's salary to the system.

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

At June 30, 2023, 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 | 53,932,245 |
| | $ 53,932,245 |

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 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, 2022, the District's proportion was 0.3183%.

For the year ended June 30, 2023, the District recognized pension expense of $1,967,112 and revenue of $1,967,112 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, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 21.9 years |
| Asset Valuation Method | 5-year smoothed market value |
| Single Equivalent Interest Rate | 7.10% |
| Municipal Bond Index Rate | 3.37% |

| | |
|---|---|
| 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| 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 | 100.0% | |

*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 (8.10%) 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 | $ 71,896,000 | $ 53,932,245 | $ 43,364,000 |

*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, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% - insurance) of the member's salary. During the year ending June 30, 2023, the District contributed $758,904 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, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 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, 2022. At June 30 2022, the District's proportion was 0.099323%.

For the year ended June 30, 2023, the District recognized pension expense of approximately $436,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 7,676 | $ 63,942 |
| Changes of assumptions | - | - |

| | | |
|---|---|---|
| Net difference between projected and actual earnings on investments | 184,071 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 183,256 | 409,420 |
| District contributions subsequent to the measurement date | 758,904 | - |
| | $ 1,133,907 | $ 473,362 |

The $758,904 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, 2024.

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:

| Year | |
|---|---|
| 2024 | $ (65,015) |
| 2025 | (176,976) |
| 2026 | (60,337) |
| 2027 | 203,969 |
| | $ (98,359) |

*Actuarial Methods and Assumptions*: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Experience Study | July 1, 2013 - June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of pay |
| Remaining Amortization Period | 29 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 |

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Equity** | **60.00%** | |
| Public Equity | 50.00% | 4.45% |
| Private Equity | 10.00% | 10.15% |
| **Fixed Income** | **20.00%** | |
| Core Bonds | 10.00% | 0.28% |
| Specialty Credit/High Yield | 10.00% | 2.28% |
| Cash | 0.00% | (0.91)% |
| **Inflation Protected** | **20.00%** | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| **Expected Real Return** | **100.00%** | **4.28%** |
| **Long Term Inflation Assumption** | | **2.30%** |
| **Expected Nominal Return for Portfolio** | | **6.58%** |

*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 (5.25%) | Current discount rate (6.25%) | 1% Increase (7.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 8,974,000 | $ 7,180,073 | $ 5,696,000 |

*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, 2023, there were no payables to the pension plan.

## (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, 2023, the District reported a liability of $5,749,000 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, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 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, 2022, the District's proportion was 0.307645%.

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 | $ 5,749,000 |
| Commonwealth's proportionate share of the Net OPEB liability associated with the District | 1,889,000 |
| | $ 7,638,000 |

For the year ended June 30, 2023, the District recognized OPEB expense of $128,000 and revenue of $101,000 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 2,417,000 |
| Changes of assumptions | 1,168,000 | - |
| Net difference between projected and actual earnings on investments | 306,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,568,000 | 43,000 |
| District contributions subsequent to the measurement date | 312,842 | - |
| | $ 3,354,842 | $ 2,460,000 |

Of the total amount reported as deferred outflows of resources related to OPEB, $312,842 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, 2024.

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:

| Year | |
|---|---|
| 2024 | $ (79,000) |
| 2025 | (52,000) |
| 2026 | (15,000) |
| 2027 | 346,000 |
| 2028 | 278,000 |
| Thereafter | 104,000 |
| | $ 582,000 |

*Actuarial methods and assumptions:* The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| 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 | 3.37% |
| 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 2022 decreasing to an ultimate rate of 4.5% by FY 2032 |
| Ages 65 and Older | 5.125% for FY 2022* decreasing to an ultimate rate of 4.5% by FY 2025 |
| Medicare Part B Premiums | 6.97% for FY 2022 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, 2021, 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, 2021, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation. The health care cost trend rate assumption was updated for the June 30, 2021, 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| 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 | 100.0% | |

*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, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021, 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 | $ 7,213,000 | $ 5,749,000 | $ 4,537,000 |

*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 | $ 4,310,000 | $ 5,749,000 | $ 7,539,000 |

*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, 2023, 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 | 94,000 |
| | $ 94,000 |

The net OPEB liability was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. An expected total OPEB liability as of June 30, 2022 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, 2022, the District's proportion was 0.302027%. For the year ended June 30, 2023, the District recognized OPEB expense of $-0- and revenue of $7,169 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, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| 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, 2021, 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:

| | Target Allocation | Expected Geometric Real Rate of Return |
|---|---|---|
| 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 | 100.0% | |

*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, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021, 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 (6.1%) | Current discount rate (7.1%) | 1% Increase (8.1%) |
|---|---|---|---|
| Commonwealth's proportionate share of the net OPEB liability | $ 148,000 | $ 94,000 | $ 53,000 |

*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, 2023, CERS allocated 3.39% of the 26.79% 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, 2023, the District contributed $109,944 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, 2023, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 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, 2022. At June 30 2022, the District's proportion was 0.099306%.

For the year ended June 30, 2023, the District recognized OPEB expense of approximately $248,000, including an implicit subsidy of $70,659. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 197,272 | $ 449,432 |
| Changes of assumptions | 309,959 | 255,404 |
| Net difference between projected and actual earnings on investments | 79,544 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 76,881 | 212,621 |
| District contributions subsequent to the measurement date | 109,944 | - |
| | $ 773,600 | $ 917,457 |

Of the total amount reported as deferred outflows of resources related to OPEB, $109,944 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, 2024.

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:

| Year | |
|---|---|
| 2024 | $ (52,706) |
| 2025 | (47,330) |
| 2026 | (132,091) |
| 2027 | (21,674) |
| | $ (253,801) |

*Actuarial Methods and Assumptions* - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Experience Study | July 1, 2013 - June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 29 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 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of |

| | |
|---|---|
| | 4.05% over a period of 13 years |
| Post-65 | Initial trend starting at 9.00% in 2024, 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, 2021, 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 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Equity** | **60.00%** | |
| Public Equity | 50.00% | 4.45% |
| Private Equity | 10.00% | 10.15% |

| | | |
|---|---|---|
| **Fixed Income** | **20.00%** | |
| Core Bonds | 10.00% | 0.28% |
| Specialty Credit/High Yield | 10.00% | 2.28% |
| Cash | 0.00% | (0.91)% |
| **Inflation Protected** | **20.00%** | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.00% | 4.07% |
| **Expected Real Return** | **100.00%** | **4.28%** |
| **Long Term Inflation Assumption** | | **2.30%** |
| **Expected Nominal Return for Portfolio** | | **6.58%** |

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.70%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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 5.70%, 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 (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

| | 1% Decrease (4.70%) | Current discount rate (5.70%) | 1% Increase (6.70%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 2,620,000 | $ 1,959,817 | $ 1,414,000 |

*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 | $ 1,457,000 | $ 1,959,817 | $ 2,564,000 |

*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, 2023, 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, 2023, this amount totaled $198,913 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 positon.

## (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 $1,534,000 at June 30, 2023 for renovations at Russell High School.

## (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, 2023, the carrying amounts of the District's deposits were $8,265,861 and the bank balances were $9,563,147. Of the total bank balances, $261,995 was insured by the FDIC, and $9,301,152 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 $19,350,000 and notes issued by the Russell Independent School District to the Kentucky Interlocal School Transportation Association ("KISTA") in the original amount of $826,052.

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

| Issue Date | Proceeds | Rates |
|---|---|---|
| 2023 | $ 2,375,000 | 4.00% - 4.55% |

| | | |
|---|---|---|
| 2022 | 490,000 | 3.50% - 4.25% |
| 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) | 826,052 | 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:

| Description | Balance at June 30, 2022 | Additions | Payments | Balance at June 30, 2023 | Due within One Year |
|---|---|---|---|---|---|
| General obligation bonds - $19,350,000 originally issued with interest rates ranging from 1.00%-4.55% | $ 12,335,000 | $ 2,865,000 | $ (1,055,000) | $ 14,145,000 | $ 1,105,000 |
| Premium (discount) on bonds | 4,135 | (54,480) | (1,609) | (51,954) | - |
| KISTA notes payable | 328,397 | 115,658 | (83,700) | 360,355 | 75,278 |
| Leases payable | 27,874 | 36,096 | (12,905) | 51,065 | 13,974 |
| Accumulated unpaid sick leave benefits | 186,781 | 12,132 | - | 198,913 | - |
| | $ 12,882,187 | $ 2,974,406 | $ (1,153,214) | $ 14,703,379 | $ 1,194,252 |

In connection with the 2023, 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, 2023 for debt service (principal and interest) are as follows:

| | Bonds | | | | |
|---|---|---|---|---|---|
| | Kentucky School Facilities Construction Commission | | Russell Independent School District | | |
| Year | Principal | Interest | Principal | Interest | Total |
| 2024 | $ 367,493 | $ 113,489 | $ 737,507 | $ 234,205 | $ 1,452,694 |
| 2025 | 373,706 | 104,476 | 746,294 | 220,466 | 1,444,942 |
| 2026 | 381,934 | 98,646 | 763,066 | 204,807 | 1,448,453 |
| 2027 | 373,356 | 92,710 | 751,644 | 187,936 | 1,405,646 |
| 2028 | 254,349 | 86,618 | 610,651 | 174,848 | 1,126,466 |

| | | | | | |
|---|---|---|---|---|---|
| 2029-33 | 1,178,550 | 321,934 | 2,731,450 | 736,026 | 4,967,960 |
| 2034-38 | 831,965 | 137,659 | 2,213,035 | 457,387 | 3,640,046 |
| 2039-43 | 428,660 | 34,505 | 1,401,340 | 142,833 | 2,007,338 |
| | $ 4,190,013 | $ 990,037 | $ 9,954,987 | $ 2,358,508 | $ 17,493,545 |

| Notes Payable | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2024 | $ 75,278 | $ 9,686 | $ 84,964 |
| 2025 | 74,469 | 7,704 | 82,173 |
| 2026 | 56,490 | 5,710 | 62,200 |
| 2027 | 54,338 | 4,181 | 58,519 |
| 2028 | 38,477 | 2,723 | 41,200 |
| 2029-32 | 61,303 | 3,723 | 65,026 |
| | $ 360,355 | $ 33,727 | $ 394,082 |

**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 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.
2. 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.
3. A lease agreement was executed on August 16, 2022 to lease a copier and requires 48 monthly payments of $372 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.00%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.
4. A lease agreement was executed on September 5, 2022 to lease a copier and requires 60 monthly payments of $345 per month. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.00%, 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, 2023, were as follows:

| Year | Principal | Interest | Requirements |
|---|---|---|---|
| 2024 | $ 13,974 | $ 1,158 | $ 15,132 |
| 2025 | 14,467 | 793 | 15,263 |
| 2026 | 13,124 | 436 | 13,560 |
| 2027 | 8,470 | 131 | 8,601 |
| 2028 | 1,030 | 5 | 1,035 |
| | $ 51,065 | $ 2,526 | $ 53,591 |

**Net Pension Liability**

The net pension liability is $6,047,344 and $1,132,729 for governmental activities and business-type activities, respectively, at June 30, 2023. See Note (5) for more detailed information.

**Net OPEB Liability**

The net OPEB liability is $7,462,989 and $245,828 for governmental activities and business-type activities, respectively, at June 30, 2023. 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 TRANSACTIONS

### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2023 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Special Revenue Fund | $ 97,784 |

### Interfund Transfers

The following transfers were made during the year:

| Type | Fund Transferred From | Fund Transferred To | Purpose | Amount |
|---|---|---|---|---|
| Operating | General | Special Revenue | Matching | $ 49,261 |
| Operating | FSPK | Debt Service | Debt Service | 850,876 |
| Capital | FSPK | Construction | Capital | 30,028 |
| Capital | SEEK | General | Operating | 52,961 |
| Capital | SEEK | Construction | Capital | 411,685 |
| Capital | General | Construction | Capital | 281,470 |
| Operating | Food Service | General | Indirect Costs | 10,785 |
| Operating | General | Food Service | Operating | 28,569 |
| Reimbursement | Activity | General | Reimbursement | 30,851 |
| Operating | Activity | District Activity | Operating | 78,014 |

## (14) ON-BEHALF PAYMENTS

For fiscal year 2023, the Commonwealth of Kentucky contributed payments on behalf of the Russell Independent School District as follows:

| Plan / Description | Amount |
|---|---|
| Kentucky Teachers Retirement System | $ 5,028,949 |
| Health Insurance Plan, Flexible Spending Plan, and Administrative Life Insurance Plan | 2,212,133 |
| Technology | 94,770 |
| Debt Service | 434,013 |
| Total on-behalf | $ 7,769,865 |

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, 2023, the Food Service Fund and the Child Care Fund had a negative net position of $458,212 and $157,710, 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.

# REQUIRED SUPPLEMENTAL INFORMATION

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF DISTRICT'S PROPORTIONATE**
**SHARE OF THE NET PENSION LIABILITY**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | | | | |
| District's proportion of the net pension liability | 0.09932% | 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 | $ 7,180,073 | $ 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 | $ 2,766,778 | $ 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 proportionate share of the net pension liability as a percentage of its covered payroll | 259.510% | 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 | 52.420% | 57.330% | 47.810% | 50.450% | 53.540% | 53.300% | 55.500% | 59.970% | 66.800% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | | |
| District's proportion of the net pension liability | 0.318% | 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 | 53,932,245 | 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 | $53,932,245 | $43,899,947 | $45,394,395 | $44,213,145 | $42,949,853 | $87,840,435 | $95,598,345 | $71,365,594 | $60,898,003 |
| 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 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% | 0.000% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.400% | 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, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM:** | | | | | | | | | | |
| Contractually required contribution | $ 758,904 | $ 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 | 758,904 | 585,727 | 536,266 | 501,426 | 435,413 | 388,799 | 383,361 | 336,854 | 310,642 | 318,989 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 3,243,179 | $ 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 | 23.40% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% | 13.74% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM:** | | | | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 11,406,875 | $ 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% | 0.00% |

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF DISTRICT'S PROPORTIONATE**
**SHARE OF THE NET OPEB LIABILITY**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Reporting Fiscal Year (Measurement Date) | | | | | |
|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| **COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:** | | | | | | |
| District's proportion of the net OPEB liability | 0.09931% | 0.10813% | 0.10090% | 0.10578% | 0.10754% | 0.11196% |
| District's proportionate share of the net OPEB liability | $ 1,959,817 | $ 2,070,056 | $ 2,436,525 | $ 1,779,138 | $ 1,909,263 | $ 2,250,799 |
| District's covered payroll | $ 2,766,778 | $ 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 | 70.834% | 74.500% | 93.782% | 66.276% | 71.106% | 81.909% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 61.0% | 62.9% | 51.7% | 60.4% | 57.6% | 52.4% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:** | | | | | | |
| District's proportion of the net OPEB liability | 0.30765% | 0.32806% | 0.31150% | 0.31474% | 0.31714% | 0.31404% |
| District's proportionate share of the net OPEB liability | $ 5,749,000 | $ 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 | 1,889,000 | 3,155,000 | 3,496,000 | 4,116,000 | 5,093,000 | 5,035,000 |
| Total | $ 7,638,000 | $ 7,039,000 | $ 7,861,000 | $ 9,212,000 | $ 11,003,000 | $ 11,198,000 |
| District's covered payroll | $ 10,242,125 | $ 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 | 56.131% | 36.261% | 42.870% | 50.422% | 58.432% | 62.433% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.80% | 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, 2023**

| | Reporting Fiscal Year (Measurement Date) | | | | | |
|---|---|---|---|---|---|---|
| | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:** | | | | | | |
| District's proportion of the net OPEB liability | 0.30203% | 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 | 94,000 | 42,000 | 106,000 | 96,000 | 87,000 | 67,000 |
| Total | $ 94,000 | $ 42,000 | $ 106,000 | $ 96,000 | $ 87,000 | $ 67,000 |
| District's covered payroll | $ 10,242,125 | $ 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% | 0.000% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 74.000% | 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, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| **COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:** | | | | | | | |
| Contractually required contribution | $ 109,944 | $ 159,920 | $ 132,261 | $ 123,668 | $ 141,201 | $ 126,198 | $ 129,977 |
| Contributions in relation to the contractually required contribution | 109,944 | 159,920 | 132,261 | 123,668 | 141,201 | 126,198 | 129,977 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| District's covered payroll | $ 3,243,179 | $ 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 | 3.39% | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% |
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:** | | | | | | | |
| Contractually required contribution | $ 312,842 | $ 307,265 | $ 321,339 | $ 305,450 | $ 303,201 | $ 303,432 | $ 296,140 |
| Contributions in relation to the contractually required contribution | 312,842 | 307,265 | 321,339 | 305,450 | 303,201 | 303,432 | 296,140 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| District's covered payroll | $ 10,428,067 | $ 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% | 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, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|
| **KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:** | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| District's covered payroll | $ 10,428,067 | $ 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% | 0.00% |

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

## (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.

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest Rate (SEIR) from 4.49% to 7.50%

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 2022.
- 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 | 25.4 years |
| Asset Valuation Method | 5-year smoothed fair value |
| Inflation | 3.0% |
| Salary Increase | 3.5% to 7.3%, including inflation |
| Investment Rate of Return | 7.5%, 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:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| 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 period at June 30, 2019 (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

A new benefit tier was added for members joining the system on and after January 1, 2022.

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, 2022 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

RUSSELL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
FOR THE YEAR ENDED JUNE 30, 2023

## (1) CHANGES OF ASSUMPTIONS

KTRS

*Medical Insurance Plan & Life Insurance Plan:* The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2020:

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub-2010 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%. 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.

For 2022, the health care trend rates were updated to reflect future anticipated experience.

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.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

## (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. For 2022, the KTRS Board of Trustees approved a single contribution amount of up to $696.84. KTRS will contribute this amount towards insurance costs, less the Shared Responsibility cost of $148.50.

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

| | |
|---|---|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 25 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, 2022:

| | |
|---|---|
| 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 period at June 30, 2019 (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 11.55%, varies by service |
| Investment Rate of Return | 6.25% |

| | |
|---|---|
| Healthcare Trend Rates | |
| Pre - 65 | Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| Post – 65 | Initial trend starting at 6.30% on January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022. |
| 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*

June 30, 2022:

- A new benefit tier was added for members joining the system on and after January 1, 2022.

*Life Insurance Plan*

June 30, 2022:

- A new benefit tier was added for members joining the system on and after January 1, 2022.

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, 2022, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2022 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, 2022, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

# SUPPLEMENTAL INFORMATION

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**COMBINING BALANCE SHEET**
**NON-MAJOR GOVERNMENTAL FUNDS**
**JUNE 30, 2023**

| | SEEK Fund | District Activity Fund | School Activity Fund | FSPK Fund | Debt Service Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|
| ASSETS: | | | | | | |
| Cash and cash equivalents | $ 192,313 | $ 122,574 | $ 206,536 | $ 397,249 | $ - | $ 918,672 |
| Accounts receivable | - | - | - | - | - | - |
| Total assets | $ 192,313 | $ 122,574 | $ 206,536 | $ 397,249 | $ - | $ 918,672 |
| LIABILITIES AND FUND BALANCE: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | $ - | $ - | $ - | $ - | $ - | $ - |
| Total liabilities | - | - | - | - | - | - |
| Fund Balances: | | | | | | |
| Restricted | 192,313 | - | 206,536 | 397,249 | - | 796,098 |
| Committed | - | 122,574 | - | - | - | 122,574 |
| Total fund balance | 192,313 | 122,574 | 206,536 | 397,249 | - | 918,672 |
| Total liabilities and fund balances | $ 192,313 | $ 122,574 | $ 206,536 | $ 397,249 | $ - | $ 918,672 |

## RUSSELL INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## NON-MAJOR GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED JUNE 30, 2023

| | SEEK Fund | District Activity Fund | School Activity Fund | FSPK Fund | Debt Service Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| From local sources - | | | | | | |
| Property taxes | $ - | $ - | $ - | $ 446,320 | $ - | $ 446,320 |
| Interest income | - | - | 399 | - | - | 399 |
| Other | - | - | 582,572 | - | - | 582,572 |
| Intergovernmental - State | 210,764 | - | - | 624,360 | 434,013 | 1,269,137 |
| Total revenues | 210,764 | - | 582,971 | 1,070,680 | 434,013 | 2,298,428 |
| EXPENDITURES: | | | | | | |
| Instruction | - | 48,947 | 404,362 | - | - | 453,309 |
| Support Services - | | | | | | |
| Students | - | - | 62,031 | - | - | 62,031 |
| Instructional staff | - | - | 108 | - | - | 108 |
| Operation and maintenance of plant | - | 2,383 | - | - | - | 2,383 |
| Debt service | - | - | - | - | 1,314,677 | 1,314,677 |
| Total expenditures | - | 51,330 | 466,501 | - | 1,314,677 | 1,832,508 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 210,764 | (51,330) | 116,470 | 1,070,680 | (880,664) | 465,920 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating transfers in | - | 78,014 | - | - | 850,876 | 928,890 |
| Operating transfers out | (464,646) | - | (108,865) | (880,904) | - | (1,454,415) |
| Total other financing sources (uses) | (464,646) | 78,014 | (108,865) | (880,904) | 850,876 | (525,525) |
| NET CHANGE IN FUND BALANCE | (253,882) | 26,684 | 7,605 | 189,776 | (29,788) | (59,605) |
| FUND BALANCE June 30, 2022 | 446,195 | 95,890 | 198,931 | 207,473 | 29,788 | 978,277 |
| FUND BALANCE June 30, 2023 | $ 192,313 | $ 122,574 | $ 206,536 | $ 397,249 | $ - | $ 918,672 |

**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, 2023**

| | 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 | $ - | $ 67,638 | $ 137,897 | $ - | $ 122,697 | $ - | $ 105,781 | $ 434,013 |
| Total revenues | - | 67,638 | 137,897 | - | 122,697 | - | 105,781 | 434,013 |
| EXPENDITURES: | | | | | | | | |
| Debt service | 251,520 | 67,638 | 317,625 | 49,600 | 213,526 | 51,700 | 363,068 | 1,314,677 |
| Total expenditures | 251,520 | 67,638 | 317,625 | 49,600 | 213,526 | 51,700 | 363,068 | 1,314,677 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (251,520) | - | (179,728) | (49,600) | (90,829) | (51,700) | (257,287) | (880,664) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Operating transfers in | 251,520 | - | 179,728 | 49,600 | 61,041 | 51,700 | 257,287 | 850,876 |
| Total other financing sources (uses) | 251,520 | - | 179,728 | 49,600 | 61,041 | 51,700 | 257,287 | 850,876 |
| NET CHANGE IN FUND BALANCE | - | - | - | - | (29,788) | - | - | (29,788) |
| FUND BALANCE June 30, 2022 | - | - | - | - | 29,788 | - | - | 29,788 |
| FUND BALANCE June 30, 2023 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**SCHOOL ACTIVITY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Cash Balance June 30, 2022 | Receipts | Disbursements | Cash Balance June 30, 2023 | Accounts Receivable | Accounts Payable | Restricted Fund Balance June 30, 2023 |
|---|---|---|---|---|---|---|---|
| Russell High School | $ 67,548 | $ 531,865 | $ 534,491 | $ 64,922 | $ - | $ - | $ 64,922 |
| Scholarship Funds | 34,760 | 11,408 | 11,729 | 34,439 | - | - | 34,439 |
| Russell Middle School | 43,637 | 108,220 | 103,228 | 48,629 | - | - | 48,629 |
| Russell Primary School | 30,597 | 23,464 | 29,188 | 24,873 | - | - | 24,873 |
| Russell-McDowell Intermediate School | 22,389 | 50,277 | 38,993 | 33,673 | - | - | 33,673 |
| Less: Inter-fund transfers | - | (142,263) | (142,263) | - | - | - | - |
| | $ 198,931 | $ 582,971 | $ 575,366 | $ 206,536 | $ - | $ - | $ 206,536 |

RUSSELL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
RUSSELL HIGH SCHOOL ACTIVITY AND SCHOLARSHIP FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Cash Balances June 30, 2022 | Receipts | Disbursements | Cash Balances June 30, 2023 | Accounts Receivable (Accounts Payable) | Restricted Fund Balance June 30, 2023 |
|---|---|---|---|---|---|---|
| **Activity Funds:** | | | | | | |
| Academic Team | $ 1,210 | $ 1,402 | $ (1,544) | $ 1,068 | $ - | $ 1,068 |
| After Prom | 1,025 | - | - | 1,025 | - | 1,025 |
| AP Student Textbook | 130 | - | (130) | - | - | - |
| Archery | - | 8,761 | (8,761) | - | - | - |
| Art/ T Perry | - | 1,750 | (1,750) | - | - | - |
| Athletics | - | 65,461 | (65,461) | - | - | - |
| Band | 12,352 | 17,901 | (25,035) | 5,218 | - | 5,218 |
| Baseball | - | 6,450 | (6,450) | - | - | - |
| Bass Fishing | - | 509 | (509) | - | - | - |
| Beta Club | 443 | 14,590 | (14,767) | 266 | - | 266 |
| Boys Basketball | - | 15,794 | (15,794) | - | - | - |
| Boys Basketball Camp | 1,863 | 10,345 | (5,230) | 6,978 | - | 6,978 |
| Boys Golf | - | 7,160 | (7,160) | - | - | - |
| Boys Soccer | - | 4,241 | (4,241) | - | - | - |
| Boys Tennis | - | 1,233 | (1,233) | - | - | - |
| Boys/Girls Swimming | - | 4,953 | (4,953) | - | - | - |
| Boys/Girls Track | - | 15,142 | (15,142) | - | - | - |
| Boys/Girls Track Camp | 311 | - | - | 311 | - | 311 |
| Cheerleading | - | 659 | (659) | - | - | - |
| Choir | 2,138 | 1,443 | (1,393) | 2,188 | - | 2,188 |
| Comm Based Inst | 386 | 753 | (868) | 271 | - | 271 |
| Cross County | - | 2,300 | (2,300) | - | - | - |
| DAF | - | 83,590 | (83,590) | - | - | - |
| Drama Club | 825 | - | - | 825 | - | 825 |
| Faculty Lounge | 141 | 728 | (760) | 109 | - | 109 |
| Fashion Club | - | 400 | - | 400 | - | 400 |
| Field Trips | 366 | 6,732 | (5,918) | 1,180 | - | 1,180 |
| Football | - | 40,898 | (40,898) | - | - | - |
| French Club | 52 | - | - | 52 | - | 52 |
| Freshman Class | 77 | - | (77) | - | - | - |
| Garden Club | 1,183 | - | - | 1,183 | - | 1,183 |
| General Fund | 706 | 5,836 | (6,513) | 29 | - | 29 |
| Girls Basketball | - | 14,898 | (14,898) | - | - | - |
| Girls Basketball Camp | 1,345 | 4,529 | (4,465) | 1,409 | - | 1,409 |
| Girls Golf | - | 1,730 | (1,730) | - | - | - |
| Girls Soccer | - | 4,040 | (4,040) | - | - | - |
| Girls Tennis | - | 1,903 | (1,903) | - | - | - |
| Girls Tennis Camp | 189 | - | - | 189 | - | 189 |
| Junior Class | 50 | 75 | - | 125 | - | 125 |
| Key Club | 2,781 | 360 | (450) | 2,691 | - | 2,691 |
| Latin Club | 3,288 | - | - | 3,288 | - | 3,288 |
| Library | 160 | - | (155) | 5 | - | 5 |
| Mary Meredith Class | 255 | - | - | 255 | - | 255 |
| Math Software Fees | - | 1,433 | (1,433) | - | - | - |
| National Art Honor Society | 9 | 1,119 | (640) | 488 | - | 488 |
| National English Honor Society | 355 | 286 | (350) | 291 | - | 291 |
| National Honor Society | 246 | 713 | (885) | 74 | - | 74 |
| Orchestra - Disney | 790 | - | - | 790 | - | 790 |
| Pep Club | 966 | - | (251) | 715 | - | 715 |
| Prom | - | 8,743 | (5,805) | 2,938 | - | 2,938 |
| Revilonian | - | 9,230 | (9,230) | - | - | - |
| ROTC | 4,847 | 24,159 | (26,348) | 2,658 | - | 2,658 |
| School Store | 813 | 2,584 | (2,105) | 1,292 | - | 1,292 |
| Science - Grant | 1,200 | 300 | - | 1,500 | - | 1,500 |
| Science Olympiad | 8,269 | - | - | 8,269 | - | 8,269 |
| Senior Class | 106 | 50 | (106) | 50 | - | 50 |
| Senior Salute | 1,145 | 814 | - | 1,959 | - | 1,959 |
| SIAS Classroom | - | 500 | (498) | 2 | - | 2 |
| Social Studies Honors Society | - | 600 | (303) | 297 | - | 297 |
| Sociedad Honoraria | 6,364 | 2,932 | (4,160) | 5,136 | - | 5,136 |
| Softball | - | 22,424 | (22,424) | - | - | - |
| Sophomore Class | 125 | - | (48) | 77 | - | 77 |
| Spanish Honor Society | 2,616 | 802 | (847) | 2,571 | - | 2,571 |
| Special Ed School Store | 123 | 505 | (372) | 256 | - | 256 |
| Special Education | 96 | 45 | (141) | - | - | - |
| Sped Activities | - | 935 | (931) | 4 | - | 4 |
| Sports Change | - | 22,500 | (22,500) | - | - | - |
| Sports Medicine | - | 1,837 | (1,837) | - | - | - |
| Student Awards | - | 200 | (34) | 166 | - | 166 |
| Student Government | 6,661 | - | (3,047) | 3,614 | - | 3,614 |
| Student Government Leadership | 124 | - | - | 124 | - | 124 |
| Swim Camp | 459 | 4,473 | (4,740) | 192 | - | 192 |
| Technology | 20 | 9,410 | (9,400) | 30 | - | 30 |
| Testing / Guidance Fund | 81 | 26,404 | (26,485) | - | - | - |
| Trim Fees | 105 | 30,295 | (30,240) | 160 | - | 160 |
| Unicef Club | 39 | - | - | 39 | - | 39 |
| Unified Club | - | 1,100 | - | 1,100 | - | 1,100 |
| Volleyball | - | 5,013 | (5,013) | - | - | - |
| Winter Guard Club | 107 | 1,670 | (900) | 877 | - | 877 |
| Y Club | 606 | 4,223 | (4,641) | 188 | - | 188 |
| | $ 67,548 | $ 531,865 | $ (534,491) | $ 64,922 | $ - | $ 64,922 |

**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, 2023**

| | Cash Balances June 30, 2022 | Receipts | Disbursements | Cash Balances and Restricted Fund Balance June 30, 2023 |
|---|---|---|---|---|
| **Scholarship Funds:** | | | | |
| Bennett Lake Memorial Scholarship | $ 11,289 | $ 1,485 | $ (779) | $ 11,995 |
| Beta Club Scholarship | - | 500 | (500) | - |
| Cameron Weis | 7,015 | 5 | - | 7,020 |
| Class of 1984 | 85 | - | - | 85 |
| Class of 1993 | 250 | - | - | 250 |
| Gloria McGlone Scholarship | - | 500 | - | 500 |
| Ledford Scholarship | 1,500 | 2,000 | (2,500) | 1,000 |
| Marv Meredith | 7,571 | 8 | - | 7,579 |
| Pepsi-Cola Scholarship | 2,000 | 3,128 | (2,000) | 3,128 |
| Principal Scholarship | 140 | - | - | 140 |
| Russell Independent Scholarship | 4,910 | 2,532 | (4,700) | 2,742 |
| Student Government Scholarship | - | 250 | (250) | - |
| Yearbook Scholarship | - | 1,000 | (1,000) | - |
| | $ 34,760 | $ 11,408 | $ (11,729) | $ 34,439 |

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| 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.S. Department of Agriculture | | | | | | |
| Passed through Kentucky Department of Education: | | | | | | |
| Cash Assistance: | | | | | | |
| State Administrative Expense | 10.560 | 7700001-22 | - | - | $ 2,356 | |
| State Pandemic EBT | 10.649 | 9990000-22 | - | - | 3,135 | |
| | | | | | 5,491 | |
| Child Nutrition Cluster: | | | | | | |
| National School Lunch Program | 10.555 | 7750002-22 | - | - | 112,855 | |
| National School Lunch Program | 10.555 | 7750002-23 | - | - | 529,646 | |
| National School Lunch Program | 10.555 | 9980000-22 | - | - | 55,065 | |
| National School Lunch Program | 10.555 | 9980000-23 | - | - | 26,785 | |
| National School Breakfast Program | 10.553 | 7760005-22 | - | - | 32,703 | |
| National School Breakfast Program | 10.553 | 7760005-23 | - | - | 158,083 | |
| | | | | | 915,137 | |
| Passed through State Department of Agriculture: | | | | | | |
| Non-Cash Assistance (Food Distribution) | | | | | | |
| National School Lunch Program | 10.555 | 7750002-22 | - | - | 109,024 | |
| Total child nutrition cluster | | | | | 1,024,161 | |
| Total U.S. Department of Agriculture | | | | | 1,029,652 | |
| U.S. Department of Education | | | | | | |
| Passed through Kentucky Department of Education: | | | | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 3100002-21 | - | 387,450 | 25,687 | |
| Title I - Grants to Local Educational Agencies | 84.010 | 3100002-22 | - | 385,733 | 317,856 | |
| | | | | | 343,543 | |
| Special Education Cluster (IDEA): | | | | | | |
| Special Education - Grants to States | 84.027 | 3810002-21 | - | 458,270 | 569 | |
| Special Education - Grants to States | 84.027 | 3810002-22 | - | 465,562 | 465,562 | |
| COVID-19 - Special Education - Grants to States - ARP | 84.027X | 4910002-21 | - | 114,319 | 45,333 | |
| Special Education - Preschool Grants | 84.173 | 3800002-21 | - | 19,050 | 929 | |
| Special Education - Preschool Grants | 84.173 | 3800002-22 | - | 19,562 | 18,039 | |
| COVID-19 - Special Education - Preschool Grants - ARP | 84.173X | 4900002-21 | - | 15,857 | 2,327 | |
| Total special education cluster | | | | | 532,759 | |
| Improving Teacher Quality State Grants | 84.367 | 3230002-21 | - | 68,853 | 37,614 | |
| Improving Teacher Quality State Grants | 84.367 | 3230002-22 | - | 65,313 | 16,403 | |
| | | | | | 54,017 | |
| Title IV Safe and Healthy Students | 84.424 | 3420002-20 | - | 6,087 | 658 | |
| Title IV Effect Use of Technology | 84.424 | 3420002-22 | - | 29,768 | 29,768 | |
| | | | | | 30,426 | |
| COVID-19 -ESSER Funds III - ARPA | 84.425U | 4300002-21 | - | 2,825,113 | 1,393,635 | * |
| COVID-19 - ESSER Funds III - ARPA | 84.425U | 4300005-21 | - | 2,765 | 2,765 | * |
| COVID-19 -ESSER Homeless Children and Youth - ARPA | 84.425W | 4980002-21 | - | 9,797 | 760 | * |
| COVID-19 - ESSER Funds II - CRRSA | 84.425D | 4200003-21 | - | 152,515 | 48,556 | * |
| COVID-19 - ESSER Deeper Learning - ARPA | 84.425U | 563J | - | 19,484 | 19,484 | * |
| | | | | | 1,465,200 | |
| Community Based Work Transition Program | 84.002 | 371I | - | 49,425 | 19,157 | |
| Community Based Work Transition Program | 84.002 | 371J | - | 49,425 | 29,596 | |
| | | | | | 48,753 | |
| Total U.S. Department of Education | | | | | 2,474,698 | |

## RUSSELL INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
## FOR THE YEAR ENDED JUNE 30, 2023

| 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.S. Department of Defense | | | | | |
| Direct Programs - | | | | | |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | - | - | 85,629 | 85,629 |
| Total U.S. Department of Defense | | | | | 85,629 |
| U.S. Federal Communications Commission | | | | | |
| Passed through Universal Service Administrative Company | | | | | |
| Emergency Connectivity Fund Program | 32.009 | 128899 | - | 216,000 | 216,000 |
| Total U.S. Federal Communications Commission | | | | | 216,000 |
| Total Expenditures of Federal Awards | | | $ - | | $ 3,805,979 |

*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, 2023. 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, 2023, the District had total inventory of $17,693.

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.

Kelley Galloway Smith Goolsby, 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.kgsgcpa.com Member of Allinial 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, 2023 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 1, 2023.

**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 1, 2023.

**Purpose of this Report**

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 1, 2023

KG
SG
Kelley Galloway
Smith Goolsby, 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.kgsgcpa.com Member of Allinial GLOBAL.

# 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

## Report on Compliance for Each Major Federal Program

### *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, 2023. 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, 2023.

### *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 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 Galloway Smith Goolsby, PSC

Ashland, Kentucky
November 1, 2023

**RUSSELL INDEPENDENT SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

## (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 (84.425D, 84.425U and 84.425W) | | | | |
| 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, 2023**

There were no prior year audit findings.

KG
SG
Kelley Galloway
Smith Goolsby, 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.kgsgcpa.com Member of Allinial 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, 2023, 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 1, 2023, 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 1, 2023

## RUSSELL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT LETTER POINTS

## FOR THE YEAR ENDED JUNE 30, 2023

### 2023-01 DEPOSIT OF GATE RECEIPTS:

*Condition*: We noted one instance at Russell Middle School in which gate receipt funds were not deposited until the fifth 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 school had a change in bookkeepers during the beginning of the fiscal period. The new bookkeeper was unaware that someone else, such as the District Finance Officer, could make the deposit in their absence. The bookkeeper has been informed of the requirement and has established new procedures to ensure full compliance with *Redbook.* Additionally, third-party training regarding *Redbook* compliance was conducted in the new year for all bookkeepers of the District.

<u>Status of Prior Year Management Points</u>

The prior year condition 2022-001 was repeated as 2023-01 above. 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.