



**Russellville Independent School
District**

FINANCIAL STATEMENTS

June 30, 2023

**REPORT**

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REPORT





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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

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 the Russellville 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Our responsibilities under those standards are further described in the Auditors' 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 these 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 statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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, budgetary comparison, and select pension/OPEB information on pages 5 through 19 and 91 through 102 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of Russellville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

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

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 15, 2023



FINANCIAL STATEMENTS





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



As management of the Russellville Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The District has adopted GASB 68. This standard requires the District to accrue a liability for an estimate of the proportionate share of the County Employee's Retirement Systems (CERS) accumulated unfunded net pension liability. On June 30, 2022 and 2023 respectively, the estimate of the District's portion of the unfunded pension liability was \$3,916,969 and \$3,777,588. The state is responsible for funding the unfunded pension liability of the Kentucky Teachers' Retirement System (KTRS). In addition to the 2023 and 2022 pension liabilities, the district recorded KTRS "on-behalf" benefit (revenue) provided by the state of \$894,139 and \$2,865,801. Likewise, we recognized a corresponding pension expense of the same amount. These estimates are complex and are based on many factors. A more complete understanding of GASB 68 and its effect on the financial statements can be obtained in Note 1, Note 8 and Note 9.
- Based on the GASB 34 model and after the adoption of GASB 75 of measuring net position, the total net position from Governmental activities increased \$2,122,000 and increased \$1,249,188 for the fiscal years ended June 30, 2023 and 2022 respectively. Total net position from Business type activities increased \$132,350 and increase \$205,971 for the fiscal years ended June 30, 2023 and 2022 respectively. The result was a combined in the total net position of the district of \$2,254,350 and 1,455,159 respectively.
- Total expenses related to governmental activities, for 2023 and 2022 respectively, were \$15,676,731 and \$16,873,722 of which \$5,629,820 and \$5,139,361 was offset by operating and capital grants and contributions. General revenues, including property taxes, utility taxes and state funding, provide the balance of the expenditures.
- In 2023, the financial statements reflect a total of \$3,860,675 of revenues and aid from the state for payments made by the state "on-behalf" of district employees for retirement contributions,



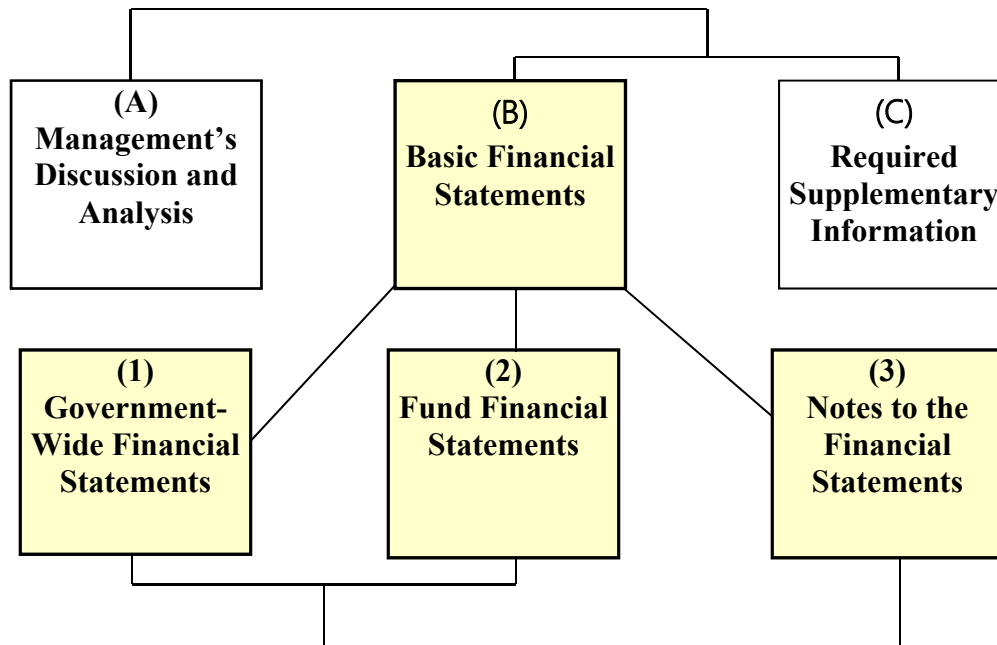
various insurances including health insurance, technology support and bond “on-behalf” payments. These payments are not paid directly to the district but are benefits of the district paid by the state “on-behalf” of the district”.

- Our board has planned in advance and has been very fiscally responsible. During the current year, the board has committed \$1,660,000 of the General Fund’s fund balance to include \$260,000 committed to funding future sick leave payouts and \$1,400,000 committed to a minimum fund balance. To remain fiscally conservative, the board wants to maintain approximately two to three months of operating expenditures.
- The main challenge of our district, as well as many other districts statewide, is fluctuating enrollments and lack of adequate funding. The state’s per pupil funding remained the same from 2022 to 2023. Over the past several years, the District’s management team has been aggressively taking steps to become more efficient in its operations. The school administration is aggressively taking steps to change the school atmosphere.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of a series of financial statements and notes on those statements. These statements are organized so the reader can understand Russellville Independent School District as a financial whole or, in other words, an entire operating entity, in a manner like a private-sector business. The annual report consists of three parts: (A) Management’s Discussion and Analysis (this section) [pages 5-19, (B) The Basic Financial Statements [pages 20-86], and (C) Required and other Supplementary Information [pages 87-114]. The statements provide an increasingly detailed look at specific financial activities. The District’s basic financial statements comprise three components: 1) Government-Wide Financial Statements [pages 20-23], 2) Fund Financial Statements [pages 24-36], and 3) Notes to the Financial Statements [pages 37-86] . This report also contains other supplementary information in addition to the basic financial statements themselves.

Organization of the Annual Financial Report



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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 86 of this report.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

One of the most important questions asked about the District is "How did we do financially during 2023?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the



District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities, and contingencies* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's Food Service, Community Education programs and Day Care are reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District's financial position, total assets and deferred outflows of resources exceeded liabilities and contingency by \$8,616,417 and \$6,362,067 as of June 30, 2023 and 2022, respectively an increase of \$2,112,605.

The largest portion of the District's net position is reflected in its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt (\$9,364,866), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



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

Government-wide financial statements can be found on pages 20 through 23 of this report.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

After looking at the District as a whole, an analysis of the major funds follows. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state-mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The scholarship trust accounts are reported as fiduciary funds. The School Food Service and Community Education Funds are reported as proprietary funds. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the District are included in the governmental funds. The major governmental funds for the Russellville Independent School District are the General Fund, the Special Revenue Fund (grants) and the Construction Fund.

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

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



The basic governmental fund financial statements can be found on pages 20 through 36 of this report.

Fiduciary Funds – The scholarship trust accounts are the District’s only fiduciary funds. On June 30, 2023, the asset balances of the scholarship trust account is \$501,431. Due to investments in marketable securities, one of the scholarship accounts has an unrealized investment loss as of June 30, 2023, of \$12,910.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the Fiscal Years Ending June 30, 2023 and 2022

| | Governmental Activities | | Business-Type Activities | | District Total | |
|----------------------------------|-------------------------|-------------|--------------------------|-----------|----------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | 6,529,053 | 5,298,400 | 561,819 | 438,778 | 7,090,872 | 5,737,178 |
| Capital assets | 14,615,729 | 14,502,877 | 88,270 | 76,715 | 14,703,999 | 14,579,592 |
| Total assets | 21,144,782 | 19,801,277 | 650,089 | 515,493 | 21,794,871 | 20,316,770 |
| Deferred Outflows of Resources | 3,070,598 | 2,035,106 | 229,466 | 206,315 | 3,300,064 | 2,241,421 |
| Long-term obligations | 11,735,445 | 11,445,709 | 750,408 | 722,009 | 12,485,853 | 12,167,718 |
| Other liabilities | 1,398,675 | 1,326,719 | 200 | - | 1,398,875 | 1,326,719 |
| Total Liabilities | 13,134,120 | 12,772,428 | 750,608 | 722,009 | 13,884,728 | 13,494,437 |
| Deferred Inflows of Resources | 2,371,835 | 2,476,530 | 221,955 | 225,157 | 2,593,790 | 2,701,687 |
| Net Position | | | | | | |
| Net Investment in capital assets | 9,276,596 | 8,447,260 | 88,270 | 76,715 | 9,364,866 | 8,523,975 |
| Restricted | 746,402 | 326,416 | | | 746,402 | 326,416 |
| Unrestricted | (1,313,573) | (2,186,251) | (181,278) | (302,073) | (1,494,851) | (2,488,324) |
| Total Net Position | 8,709,425 | 6,587,425 | (93,008) | (225,358) | 8,616,417 | 6,362,067 |

Russellville Independent School District
 Russellville, Kentucky
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2023

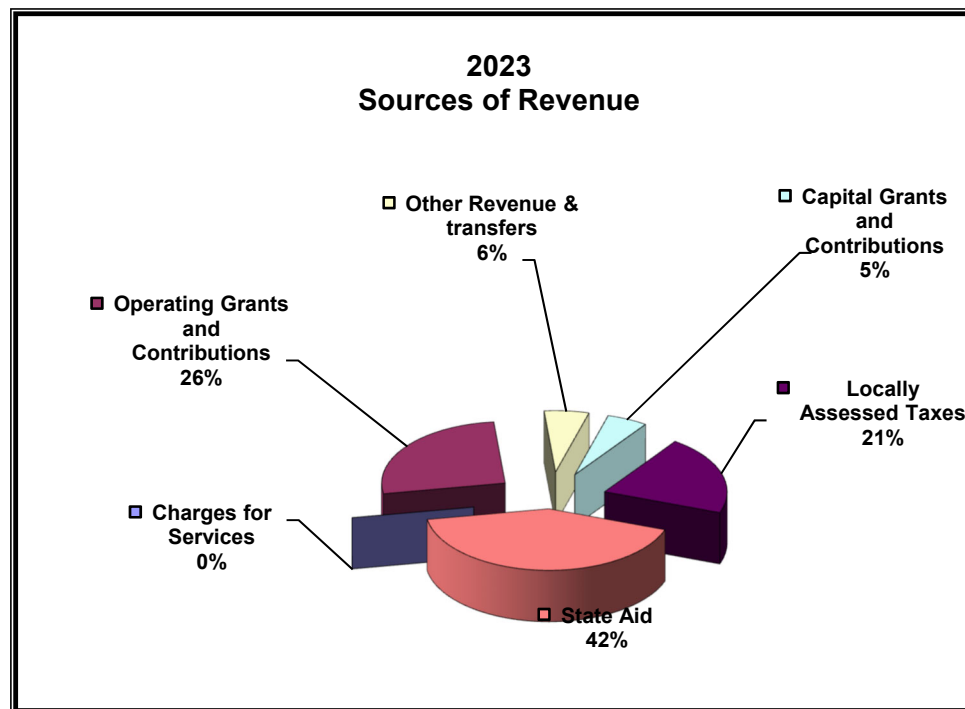


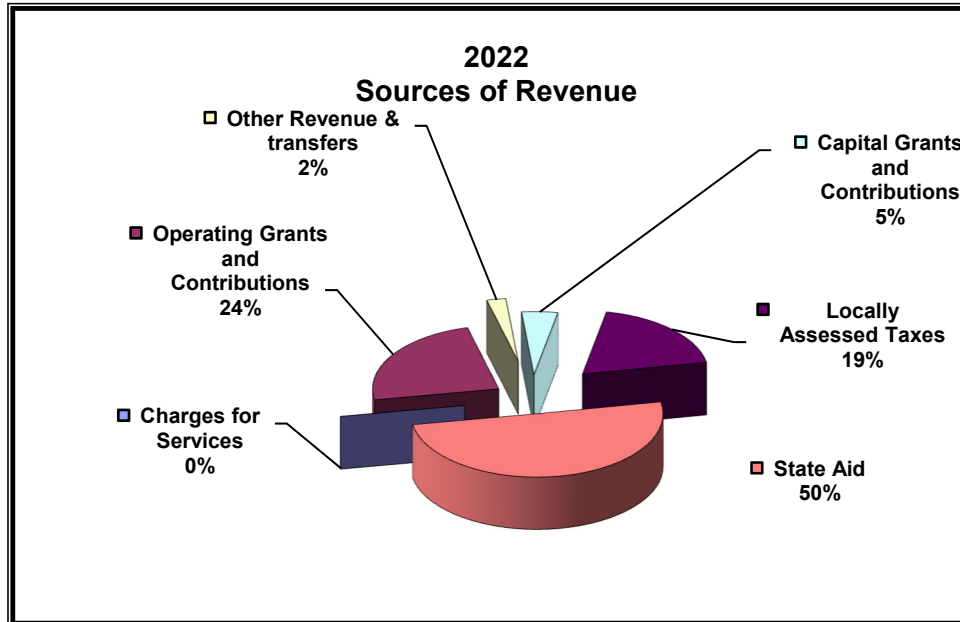
Changes in Net Position for the Fiscal Year Ending June 30, 2023 and 2022

| | Governmental Activities | | Business-Type Activities | | District Total | |
|-------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | | \$ - | \$ 22,293 | \$ 12,862 | \$ 22,293 | \$ 12,862 |
| Op. grants and contributions | 4,680,056 | 4,303,247 | 1,048,179 | 1,024,966 | 5,728,235 | 5,328,213 |
| Cap. grants and contributions | 949,764 | 836,114 | | | 949,764 | 836,114 |
| General Revenue | | | | | | |
| Locally Assessed Taxes | 3,707,053 | 3,430,803 | | | 3,707,053 | 3,430,803 |
| State Aid | 7,419,614 | 9,093,312 | | | 7,419,614 | 9,093,312 |
| Transfers | 60,618 | 49,876 | | | 60,618 | 49,876 |
| Other Revenue | 975,676 | 391,666 | 16,296 | 242 | 991,972 | 391,908 |
| Total revenues | 17,792,781 | 18,105,018 | 1,086,768 | 1,038,070 | 18,879,549 | 19,143,088 |
| Expenses | | | | | | |
| Instruction & support | 10,090,460 | 11,614,866 | | | 10,090,460 | 11,614,866 |
| District & school admin. | 1,961,566 | 2,066,571 | | | 1,961,566 | 2,066,571 |
| Plant operations | 2,416,999 | 2,109,898 | | | 2,416,999 | 2,109,898 |
| Student transportation | 704,031 | 624,676 | | | 704,031 | 624,676 |
| Interest on long-term debt | 165,852 | 180,616 | | | 165,852 | 180,616 |
| Other | 331,873 | 259,203 | | | 331,873 | 259,203 |
| Transfers | | | 60,618 | 49,876 | 60,618 | 49,876 |
| Food service | | | 893,800 | 782,223 | 893,800 | 782,223 |
| Total expenses | 15,670,781 | 16,855,830 | 954,418 | 832,099 | 16,625,199 | 17,687,929 |
| Change in net position | \$ 2,122,000 | \$ 1,249,188 | 132,350 | 205,971 | \$ 2,254,350 | \$ 1,455,159 |



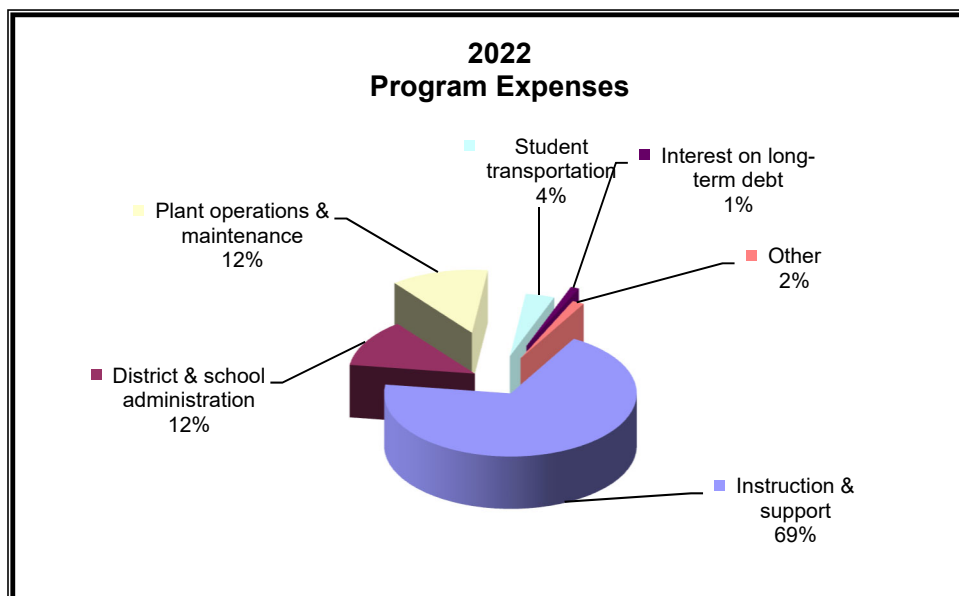
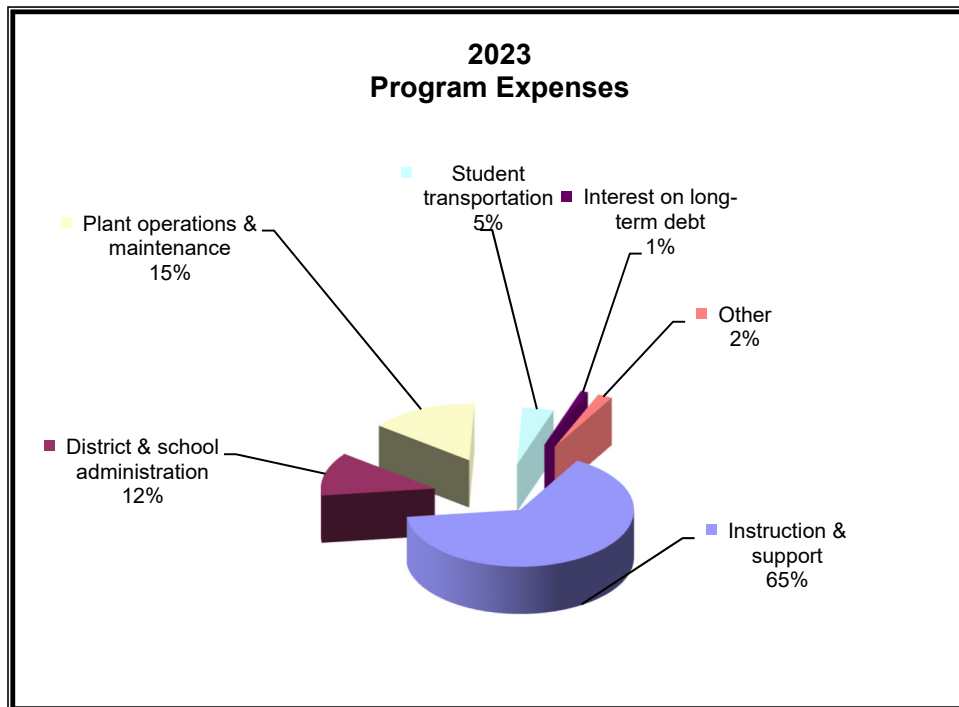
Total Governmental Funds Revenues for the Fiscal Years Ending June 30, 2023 and 2022







Total Governmental Funds Expenses for the Fiscal Years Ending June 30, 2023 and 2022





Using the GASB 34 model of measuring revenue and expenses, which is a different model of revenue and expense recognition than fund accounting, the District's total revenues, net of transfers, were \$18,824,881 and the total expenses, net of transfers, were \$16,570,531. For the year ending 2023, the total District revenues exceeded expenses by \$2,254,350. The significant areas of changes in revenues and expenses are: 1) Local generated tax collections increased \$276,250. 2) Due to additional federal money, operating grants and contributions increased \$513,672.00. 3) State SEEK funds increased \$342,253.4) The state also pays certain benefits on-behalf of the schools. State on-behalf benefits increased \$776,106.

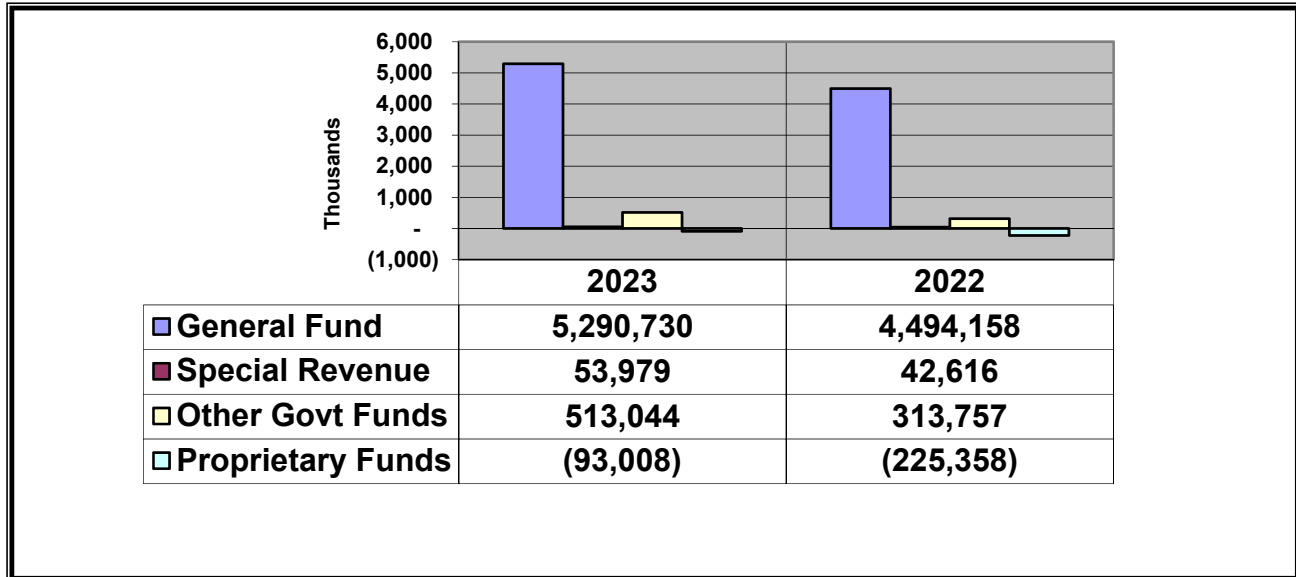
The basis of the Kentucky Education Reform Act (KERA) was to fund school systems based on an average student attendance. In districts where the local property tax base per pupil is less, the state equalizes the revenues by increasing the state's portion of the district's funding.

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

The financial position of the School Food Service has significantly improved over the past several school years. The Food Service Director with the cooperation of the food service staff and school principals, have been given the responsibility of operating a self-sustaining food service program. The food service program is currently not supplemented by the General Fund. The program has a profit during the current year mainly due to an increase in the federal per pupil reimbursement rate. We are continuing the primary cost control measure, which is centralized food ordering. The food service program pays for the program's costs, including reimbursement of indirect costs and equipment purchases.



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



The General Fund balance increased \$796,572. The District's currently has a strong financial position. The District's current financial stability is a continued adherence to a good procurement policy, conservative spending and responsible use of federal and state grant funding. The fund balance of the Special Revenue fund increased \$11,363. A combination of the Other Governmental Funds (i.e. Capital Outlay, Building Fund, Construction Fund and Debt Service Fund) increased \$199,287. Most of the increase is due to the funding of a construction project. The Proprietary Funds (i.e. Food Service and Community Education) increased \$132,350.

General Fund Budgetary Highlights

In accordance with directive from the Kentucky Department of Education (DOE) and Kentucky statutes, the District's budgets are prepared to account for most transactions on a cash receipt / cash disbursement / encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense. Any amounts being accumulated for other purposes ultimately is shown as unspent or over-budgeted expenditures. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE. The District's original and final General Fund Budgets are comparable with minimal changes. The district's total actual revenues exceeded budgeted revenue by \$4,143,536, an approximate 49% difference. The significant differences in the revenue budget to actual are an increase in state on-behalf payments, increase in the shared cost of a bus purchase and better than estimated local tax collections and indirect cost. The total budgeted expenses (less the budgeted contingency amount of \$2,637,002.) was less than the actual expenses by \$3,534,976. Individual budget amounts do not significantly differ from actual expenses.



Capital Asset and Debt Administration

Capital Assets:

By June 30, 2023, the District had invested \$14,703,989, net of depreciation, in capital assets. This includes land, school buildings, athletic facilities, computer equipment, equipment, vehicles, and administrative offices. The cumulative total of assets was \$28,621,448 with accumulated depreciation of \$13,917,459. Significant items added during the year are: replacement roofs for various buildings, primary academy playground, district phone system and a new school bus.

SUMMARY OF CAPITAL ASSETS

| | Governmental Activities | | Business-Type Activities | | District Totals | |
|----------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and improvements | 1,502,912 | 1,502,912 | | | 1,502,912 | 1,502,912 |
| Construction in progress | 232,175 | - | | | 232,175 | - |
| Buildings and improvements | 23,180,039 | 23,026,095 | | | 23,180,039 | 23,026,095 |
| Equipment and vehicles | 3,343,582 | 3,189,539 | 362,740 | 335,871 | 3,706,322 | 3,525,410 |
| | <u>\$ 28,258,708</u> | <u>\$ 27,718,546</u> | <u>\$ 362,740</u> | <u>\$ 335,871</u> | <u>\$ 28,621,448</u> | <u>\$ 28,054,417</u> |

Long-Term Debt:

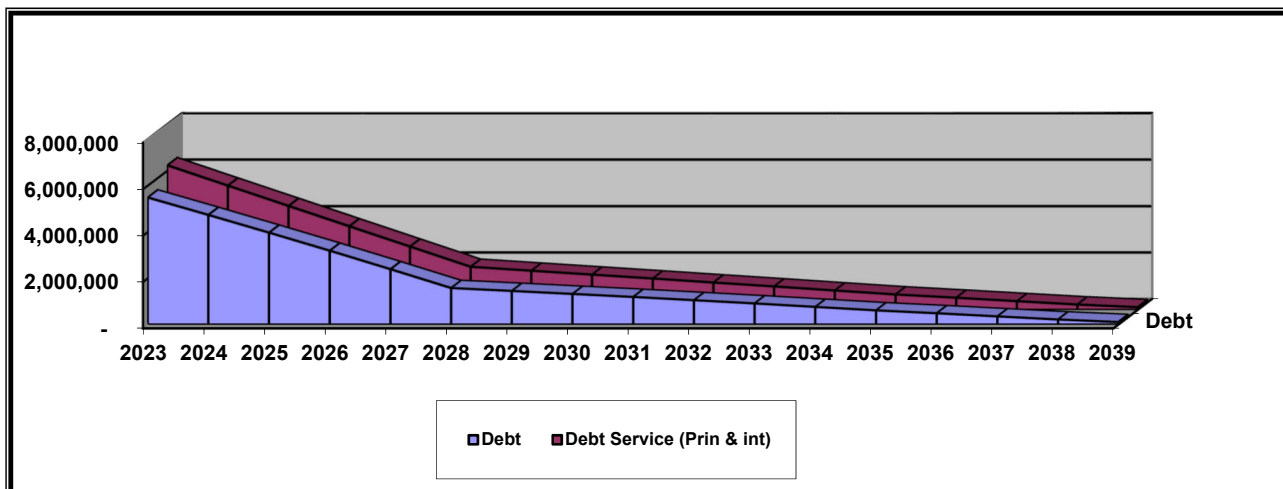
At year-end, the District had \$5,490,000 in General Obligation Bonds outstanding. The debt decreased \$735,000.



SUMMARY OF LONG-TERM DEBT

| Series | Purpose | Governmental Activities 2023 | Governmental Activities 2022 | Increase (Decrease) |
|--------------|---|------------------------------|------------------------------|---------------------|
| Series 2016R | Refinanced bonds - 6-8 Center construction, elementary school addition and remodeling. | 3,570,000 | 4,245,000 | (675,000.00) |
| Series 2015 | Roof replacement on high school cafeteria, weight room and band room. Roof coating on 1970 portion of elementary school building | 290,000 | 310,000 | (20,000.00) |
| Series 2018 | Renovation of R21C | 350,000 | 365,000 | (15,000.00) |
| Series 2020 | Roof replacements on R21C, elementary school gym, and primary academy | 1,280,000 | 1,305,000 | (25,000.00) |
| | | <u>\$ 5,490,000</u> | <u>\$ 6,225,000</u> | <u>(735,000.00)</u> |

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





DISTRICT CHALLENGES FOR THE FUTURE

It is extremely important that the District continue to budget very conservatively. The District receives approximately 70% of its General Fund revenue each year through state funding sources. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not receive the revenue from taxing sources, an adjustment will be made to the funding formula. The District should always be prepared for such reductions in funding. Approximately 27% of the General Fund revenue is from local sources. The major portion of the tax revenue does not come to the District until the fifth through the seventh month of the fiscal year. This means the General Fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a sufficient beginning balance to start each year. The District has an ending General Fund balance of \$5,290,730 or 32% of the combined General Fund and Special Revenue Fund expenditures for the year. The District's 2023 property tax revenues are generated from the January 2022 tax assessment. The tax base assessment increased \$23,082,652 or 6.93%. The school's administration, as well as school staff, is working to improve school attendance. The District receives funding through the SEEK formula based on the attendance count. There are a very limited number of new homes constructed within the boundaries of the District. Therefore, growth within the District is limited. It is vital that our schools have high attendance percentages and parents and students should continue to choose Russellville Independent Schools. Maintaining excellence and emphasizing serving the public are the main factors influencing this District challenge. The schools are working in concert to improve student achievement and test scores.

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact:

Mr. Kyle Estes, Superintendent
kyle.estes@russellville.kyschools.us
Mr. Matthew Davenport, Director of Finance
matthew.davenport@russellville.kyschools.us

355 South Summer Street,
Russellville, Kentucky 42276.
(270)726-8405

Russellville Independent School District
Statement of Net Position

| <i>June 30, 2023</i> | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------|
| Assets | | | |
| Cash | \$ 6,026,159 | \$ 550,411 | \$ 6,576,570 |
| Accounts receivable: | | | |
| Taxes | 114,517 | - | 114,517 |
| Accounts | 15,478 | - | 15,478 |
| Intergovernmental | 231,164 | - | 231,164 |
| Inventory | - | 11,408 | 11,408 |
| Prepaid expenditures | 141,745 | - | 141,745 |
| Non-depreciable capital assets | 457,990 | - | 457,990 |
| Depreciable capital assets | 27,800,718 | 362,738 | 28,163,456 |
| Less: accumulated depreciation | (13,642,989) | (274,468) | (13,917,457) |
| Total assets | 21,144,782 | 650,089 | 21,794,871 |
| Deferred Outflows of Resources | | | |
| Deferred loss on debt refundings | 162,944 | - | 162,944 |
| OPEB related | 2,115,336 | 89,103 | 2,204,439 |
| Pension related | 792,318 | 140,363 | 932,681 |
| Total deferred outflows of resources | 3,070,598 | 229,466 | 3,300,064 |
| Liabilities | | | |
| Accounts payable | 372,976 | 200 | 373,176 |
| Accrued liabilities | 60,793 | - | 60,793 |
| Unearned revenue | 95,796 | - | 95,796 |
| Accrued interest | 29,613 | - | 29,613 |
| Long-term obligations: | | | |
| Due within one year: | | | |
| Outstanding bonds | 750,000 | - | 750,000 |
| Other | 12,372 | - | 12,372 |
| Compensated absences | 77,125 | - | 77,125 |
| Due beyond one year: | | | |
| Outstanding bonds | 4,738,653 | - | 4,738,653 |
| Other | 1,042 | - | 1,042 |
| Compensated absences | 194,058 | - | 194,058 |
| Net OPEB liability | 3,474,227 | 160,904 | 3,635,131 |
| Net pension liability | 3,327,465 | 589,504 | 3,916,969 |
| Total liabilities | 13,134,120 | 750,608 | 13,884,728 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Net Position

| <i>June 30, 2023</i> | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------------|
| Deferred Inflows of Resources | | | |
| OPEB related | 1,695,224 | 102,085 | 1,797,309 |
| Pension related | 676,611 | 119,870 | 796,481 |
| Total deferred inflows of resources | 2,371,835 | 221,955 | 2,593,790 |
| Net Position | | | |
| Net investment in capital assets | 9,276,596 | 88,270 | 9,364,866 |
| Restricted for: | | | |
| Capital projects | 518,400 | - | 518,400 |
| Student activities | 174,023 | - | 174,023 |
| Grant programs | 53,979 | - | 53,979 |
| Unrestricted (deficit) | (1,313,573) | (181,278) | (1,494,851) |
| Total net position (deficit) | \$ 8,709,425 | \$ (93,008) | \$ 8,616,417 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Activities

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| <i>For the year ended June 30, 2023</i> | | | | | | | |
| Governmental Activities | | | | | | | |
| Instruction | \$ 8,393,004 | \$ - | \$ 2,635,583 | \$ 38,104 | \$ (5,719,317) | \$ - | \$ (5,719,317) |
| Support Services: | | | | | | | |
| Student | 721,547 | - | 477,167 | - | (244,380) | - | (244,380) |
| Instructional staff | 975,909 | - | 941,230 | - | (34,679) | - | (34,679) |
| District administration | 508,148 | - | - | - | (508,148) | - | (508,148) |
| School administration | 1,035,196 | - | - | - | (1,035,196) | - | (1,035,196) |
| Business | 418,222 | - | - | - | (418,222) | - | (418,222) |
| Plant operations and maintenance | 2,416,999 | - | 50,436 | - | (2,366,563) | - | (2,366,563) |
| Student transportation | 704,031 | - | 235,026 | - | (469,005) | - | (469,005) |
| Other | 331,873 | - | 340,614 | - | 8,741 | - | 8,741 |
| Loss on disposal of assets | 5,950 | - | - | - | (5,950) | - | (5,950) |
| Interest on long-term debt | 165,852 | - | - | 911,660 | 745,808 | - | 745,808 |
| Total governmental activities | 15,676,731 | - | 4,680,056 | 949,764 | (10,046,911) | - | (10,046,911) |
| Business-type Activities | | | | | | | |
| Food services | 888,755 | 16,888 | 1,048,179 | - | - | 176,312 | 176,312 |
| Community education | 5,045 | 5,405 | - | - | - | 360 | 360 |
| Total business-type activities | 893,800 | 22,293 | 1,048,179 | - | - | 176,672 | 176,672 |
| Total school district | \$ 16,570,531 | \$ 22,293 | \$ 5,728,235 | \$ 949,764 | (10,046,911) | 176,672 | (9,870,239) |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Activities

| <i>For the year ended June 30, 2023</i> | Net (Expense) Revenue and Changes in Net Position | | |
|---|--|----------------------|---------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | Total |
| General Revenues | | | |
| Taxes: | | | |
| Property | 2,713,646 | - | 2,713,646 |
| Motor vehicle | 220,768 | - | 220,768 |
| Utilities | 612,856 | - | 612,856 |
| Other | 159,783 | - | 159,783 |
| State aid | 7,419,614 | - | 7,419,614 |
| Investment earnings | 199,134 | 16,296 | 215,430 |
| Other | 782,492 | - | 782,492 |
| Transfers | 60,618 | (60,618) | - |
| Total general revenues and transfers | 12,168,911 | (44,322) | 12,124,589 |
| Change in net assets | 2,122,000 | 132,350 | 2,254,350 |
| Net position (deficit) - beginning of year | 6,587,425 | (225,358) | 6,362,067 |
| Net position (deficit) - end of year | \$ 8,709,425 | \$ (93,008) | \$ 8,616,417 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
 Balance Sheet
 Governmental Funds

| <i>June 30, 2023</i> | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------|---------------------|----------------------|-------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash | \$ 5,303,765 | \$ - | \$ 531,390 | \$ 191,004 | \$ 6,026,159 |
| Accounts receivable: | | | | | |
| Taxes | 114,517 | - | - | - | 114,517 |
| Accounts | 15,128 | - | - | 350 | 15,478 |
| Intergovernmental | - | 231,164 | - | - | 231,164 |
| Due from other funds | 22,484 | - | - | - | 22,484 |
| Total assets | \$ 5,455,894 | \$ 231,164 | \$ 531,390 | \$ 191,354 | \$ 6,409,802 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Balance Sheet
Governmental Funds

| <i>June 30, 2023</i> | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-------------------|--------------------------|--------------------------|
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 104,371 | \$ 58,905 | \$ 200,201 | \$ 9,499 | \$ 372,976 |
| Accrued liabilities | 60,793 | - | - | - | 60,793 |
| Due to other funds | - | 22,484 | - | - | 22,484 |
| Unearned revenue | - | 95,796 | - | - | 95,796 |
| Total liabilities | 165,164 | 177,185 | 200,201 | 9,499 | 552,049 |
| Fund Balances | | | | | |
| Restricted | 187,211 | 53,979 | 331,189 | 174,023 | 746,402 |
| Committed | 1,660,000 | - | - | - | 1,660,000 |
| Assigned | 177,290 | - | - | 7,832 | 185,122 |
| Unassigned | 3,266,229 | - | - | - | 3,266,229 |
| Total fund balances | 5,290,730 | 53,979 | 331,189 | 181,855 | 5,857,753 |
| Total liabilities and fund balances | \$ 5,455,894 | \$ 231,164 | \$ 531,390 | \$ 191,354 | \$ 6,409,802 |

The accompanying notes are an integral part of these financial statements.

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

| <i>June 30,</i> | 2023 |
|---|--------------|
| Total fund balances – governmental funds | \$ 5,857,753 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$28,258,708 and the accumulated depreciation is \$13,642,989. | 14,615,719 |
| Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow. | 162,944 |
| Special revenue funds record expenditures when paid. Prepaid items are included on the government-wide financial statements as a prepaid expenditures. | 141,745 |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements. | 115,707 |
| Deferred outflows and inflows or resources related to OPEB are applicable to future periods, therefore, are not reported in the funds statements. | 420,112 |
| Long-term liabilities, including bonds payable and accrued interests, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consists of: | |
| Bonds payable | (5,488,653) |
| Accrued interest on the bonds | (29,613) |
| Other debt | (13,414) |
| Net OBEP liability | (3,474,227) |
| Net pension liability | (3,327,465) |
| Compensated absences | (271,183) |
| Total net position – governmental activities | \$ 8,709,425 |

The accompanying notes are an integral part of these financial statements.

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

| <i>For the year ended June 30, 2023</i> | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------------|----------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| From local sources: | | | | | |
| Taxes: | | | | | |
| Property | \$ 2,357,366 | \$ - | \$ - | \$ 356,280 | \$ 2,713,646 |
| Motor vehicle | 220,768 | - | - | - | 220,768 |
| Utilities | 612,856 | - | - | - | 612,856 |
| Other | 159,783 | - | - | - | 159,783 |
| Earnings on investments | 199,134 | 49 | - | - | 199,183 |
| Other local revenue | 23,748 | 42,587 | 227,388 | 340,916 | 634,639 |
| Intergovernmental - state | 8,762,208 | 589,437 | - | 911,660 | 10,263,305 |
| Direct federal | 149,433 | 585,501 | - | - | 734,934 |
| Intergovernmental - federal | 41,007 | 3,500,586 | - | - | 3,541,593 |
| Total revenues | 12,526,303 | 4,718,160 | 227,388 | 1,608,856 | 19,080,707 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 6,832,317 | 2,378,660 | - | 344,506 | 9,555,483 |
| Support services: | | | | | |
| Student | 451,866 | 477,167 | - | - | 929,033 |
| Instructional staff | 375,117 | 941,230 | - | - | 1,316,347 |
| District administration | 526,269 | - | - | - | 526,269 |
| School administration | 1,095,871 | - | - | - | 1,095,871 |
| Business | 431,060 | - | - | - | 431,060 |

The accompanying notes are an integral part of these financial statements.

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

| <i>For the year ended June 30, 2023</i> | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------|------------------------------|---|---|
| Plant operations and maintenance | 1,741,429 | 50,436 | - | - | 1,791,865 |
| Student transportation | 648,095 | 235,026 | - | - | 883,121 |
| Other | - | 340,614 | - | - | 340,614 |
| Debt service: | | | | | |
| Principal | - | - | - | 735,000 | 735,000 |
| Interest | - | - | - | 139,903 | 139,903 |
| Building improvements | - | - | 371,537 | - | 371,537 |
| Total expenditures | 12,102,024 | 4,423,133 | 371,537 | 1,219,409 | 18,116,103 |
| Excess (deficiency) of revenues over expenditures | 424,279 | 295,027 | (144,149) | 389,447 | 964,604 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | 475,464 | 36,295 | 368,110 | 669,386 | 1,549,255 |
| Operating transfers out | (103,171) | (319,959) | - | (1,083,507) | (1,506,637) |
| Total other financing sources (uses) | 372,293 | (283,664) | 368,110 | (414,121) | 42,618 |
| Net change in fund balances | 796,572 | 11,363 | 223,961 | (24,674) | 1,007,222 |
| Fund balances - beginning of year | 4,494,158 | 42,616 | 107,228 | 206,529 | 4,850,531 |
| Fund balances - end of year | \$ 5,290,730 | \$ 53,979 | \$ 331,189 | \$ 181,855 | \$ 5,857,753 |

The accompanying notes are an integral part of these financial statements.

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

| <i>For the year ended June 30,</i> | 2023 |
|--|--------------|
| Total net change in fund balances - governmental funds | \$ 1,007,222 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$888,073) exceeds depreciation expense (\$769,281) in the period. | 118,792 |
| Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year. | (5,950) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 735,000 |
| The issuance of a debt is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The district repaid (\$11,127) in debt in the current year. | 11,127 |
| Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | |
| District pension contributions | 326,559 |
| Cost of benefits earned net of employee contributions | (153,665) |
| Governmental funds report District OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. | |
| District OPEB contributions | 169,895 |
| Cost of benefits earned net of employee contributions | (186,367) |
| Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred. | 99,387 |
| Change in net position - governmental activities | \$ 2,122,000 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Net Position
Proprietary Funds

| <i>June 30, 2023</i> | Enterprise Fund Food Service | Enterprise Fund Community Education | Total |
|---|---|--|----------------|
| Assets | | | |
| Current Assets | | | |
| Cash | \$ 548,195 | \$ 2,216 | \$ 550,411 |
| Inventory | 11,408 | - | 11,408 |
| Total current assets | 559,603 | 2,216 | 561,819 |
| Non-Current Assets | | | |
| Fixed assets - net | 88,270 | - | 88,270 |
| Total assets | 647,873 | 2,216 | 650,089 |
| Deferred Outflows of Resources | | | |
| OPEB related | 89,103 | - | 89,103 |
| Pension related | 140,363 | - | 140,363 |
| Total deferred outflows of resources | 229,466 | - | 229,466 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 200 | - | 200 |
| Long-Term Liabilities | | | |
| Net OPEB liability | 160,904 | - | 160,904 |
| Net pension liability | 589,504 | - | 589,504 |
| Total liabilities | 750,608 | - | 750,608 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Net Position
Proprietary Funds

| <i>June 30, 2023</i> | Enterprise Fund Food Service | Enterprise Fund Community Education | Total |
|--------------------------------------|------------------------------------|---|-------------|
| Deferred Inflows of Resources | | | |
| OPEB related | 102,085 | - | 102,085 |
| Pension related | 119,870 | - | 119,870 |
| Total deferred inflows of resources | 221,955 | - | 221,955 |
| Net Position (Deficit) | | | |
| Net investment in capital assets | 88,270 | - | 88,270 |
| Unrestricted (deficit) | (183,494) | 2,216 | (181,278) |
| Total net position (deficit) | \$ (95,224) | \$ 2,216 | \$ (93,008) |

The accompanying notes are an integral part of these financial statements.

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

| <i>For the year ended June 30, 2023</i> | Enterprise Fund Food Service | Enterprise Fund Community Education | Total |
|--|---|--|------------------|
| Operating Revenues | | | |
| Lunchroom sales | \$ 16,888 | \$ - | \$ 16,888 |
| Tuition and fees | - | 5,405 | 5,405 |
| Total operating revenues | 16,888 | 5,405 | 22,293 |
| Operating Expenses | | | |
| Instruction | - | 5,045 | 5,045 |
| Salaries and wages | 453,230 | - | 453,230 |
| Contract services | 9,831 | - | 9,831 |
| Materials and supplies | 406,887 | - | 406,887 |
| Other operating expenses | 3,493 | - | 3,493 |
| Depreciation expense | 15,314 | - | 15,314 |
| Total operating expenses | 888,755 | 5,045 | 893,800 |
| Operating income (loss) | (871,867) | 360 | (871,507) |
| Non-Operating Revenues | | | |
| State operating grants | 112,382 | - | 112,382 |
| Federal operating grants | 917,854 | - | 917,854 |
| Donated commodities | 17,943 | - | 17,943 |
| Interest revenue | 16,296 | - | 16,296 |
| Total non-operating revenues | 1,064,475 | - | 1,064,475 |
| Income before transfers | 192,608 | 360 | 192,968 |
| Transfers | (60,618) | - | (60,618) |
| Change in net position | 131,990 | 360 | 132,350 |
| Net position (deficit) - beginning of year | (227,214) | 1,856 | (225,358) |
| Net position (deficit) - end of year | \$ (95,224) | \$ 2,216 | \$ (93,008) |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Cash Flows
Proprietary Funds

| <i>For the year ended June 30, 2023</i> | Enterprise Fund Food Service | Enterprise Fund Community Education | Total |
|--|---|--|-------------------|
| Operating Activities | | | |
| Cash received from user charges | \$ 108,754 | \$ 5,405 | \$ 114,159 |
| Cash payments to employees for services | (345,670) | - | (345,670) |
| Cash payments for contract services | (9,831) | - | (9,831) |
| Cash payments to suppliers for goods and services | (382,166) | - | (382,166) |
| Cash payments for other operating expenses | (3,493) | (5,045) | (8,538) |
| Net cash provided by (used in) operating activities | (632,406) | 360 | (632,046) |
| Noncapital Financing Activities | | | |
| Indirect cost transfer to general fund | (60,618) | - | (60,618) |
| Non-operating grants received | 924,722 | - | 924,722 |
| Net cash provided by noncapital financing activities | 864,104 | - | 864,104 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition of capital assets | (26,867) | - | (26,867) |
| Net cash used in capital and related financing activities | (26,867) | - | (26,867) |
| Investing Activities | | | |
| Interest on investments | 16,296 | - | 16,296 |
| Net cash provided by investing activities | 16,296 | - | 16,296 |
| Net increase in cash | 221,127 | 360 | 221,487 |
| Cash - beginning of year | 327,068 | 1,856 | 328,924 |
| Cash - end of year | \$ 548,195 | \$ 2,216 | \$ 550,411 |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Cash Flows
Proprietary Funds

| <i>For the year ended June 30, 2023</i> | Enterprise Fund Food Service | Enterprise Fund Community Education | Total |
|---|---|--|---------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities | | | |
| Operating income (loss) | \$ (871,867) | \$ 360 | \$ (871,507) |
| Adjustments To Reconcile Operating Income (Loss) | | | |
| To Net Cash Provided By (Used In) Operating | | | |
| Depreciation | 15,314 | - | 15,314 |
| Commodities received | 17,943 | - | 17,943 |
| On-behalf payments | 105,514 | - | 105,514 |
| Pension expense in excess of pension contributions | (14,284) | - | (14,284) |
| OPEB contributions in excess of OPEB expense | 16,330 | - | 16,330 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 91,866 | - | 91,866 |
| Inventories | 6,578 | - | 6,578 |
| Accounts payable | 200 | - | 200 |
| Net cash provided by (used in) operating activities | \$ (632,406) | \$ 360 | \$ (632,046) |

Noncash Activities

- The food service fund received \$17,943 of donated commodities from the federal government.
- The District received on-behalf payments of \$105,514 relating to insurance benefits.
- The District reclassified \$57,848 related to pension expense to deferred outflows of resources.
- The District reclassified \$8,416 related to OPEB expense to deferred outflows of resources.

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds

| <i>June 30, 2023</i> | Private Purpose Trust Funds |
|--------------------------------|--|
| <hr/> | |
| Assets | |
| Cash | \$ 37,636 |
| Investments | 463,795 |
| <hr/> | |
| Total assets | 501,431 |
| <hr/> | |
| Net Position | |
| Held in trust for scholarships | 501,431 |
| <hr/> | |
| Net position | \$ 501,431 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these financial statements.

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

| <i>For the year ended June 30, 2023</i> | Private Purpose Trust Funds |
|---|--|
| Additions | |
| Earnings on investments | \$ 20,549 |
| Unrealized gain on investments | 12,910 |
| Fund transfers from general fund | 18,000 |
| <hr/> | |
| Total additions | 51,459 |
| <hr/> | |
| Deductions | |
| Scholarships | 42,900 |
| Administrative fees | 1,792 |
| <hr/> | |
| Total deductions | 44,692 |
| <hr/> | |
| Change in net position | 6,767 |
| <hr/> | |
| Net position - beginning of year | 494,664 |
| <hr/> | |
| Net position - end of year | \$ 501,431 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these financial statements.

Russellville Independent School District
Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

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

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

Blended Component Unit

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

Russellville Independent School District Finance Corporation — The Russellville Independent Board of Education resolved to authorize the establishment of the Russellville Independent School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Russellville Independent Board of Education also comprise the Corporation's Board of Directors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

The *Facility Support Program of Kentucky (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Proprietary Fund Types

Enterprise Funds

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

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

Fiduciary Fund Types (includes custodial and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Trust funds account for assets held by the District under the terms of a formal trust agreement. Custodial funds are purely custodial and do not involve measurement of result of operations.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

Private Purpose Trust Funds

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

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the governmental-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term and acquisitions under capital leases are reported as other financing sources.

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

Budgetary Information

Budget Information is presented for the General Fund and other funds with a Board approved budget. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary revenues represent original estimates modified for any adjustments approved by the Board during the fiscal year. Budgetary expenditures represent original appropriations adjusted for transfers and additional appropriations approved during the fiscal year. Once the budget is approved, it can be amended by approval of the Board.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to fair market value of investments, compensated absences, pension liability, and OPEB liability.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Inventory

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

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

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

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

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

| Description | Estimated Lives |
|----------------------------|-----------------|
| Buildings and improvements | 25–50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5–10 years |
| Audio-visual equipment | 15 years |
| Food service equipment | 10–12 years |
| Furniture and fixtures | 7 years |
| Rolling stock | 15 years |
| Other | 10 years |

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

Deferred Inflows and Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – Pension Related

The District’s statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District’s contributions made subsequent to the measurement date. 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. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost-sharing plan. In its governmental funds, the only

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY ACCOUNTING OF SIGNIFICANT POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources – Pension Related (Continued)

deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – OPEB Related

The District's statement of net position report and proprietary fund statements of net position a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. 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. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost-sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY ACCOUNTING OF SIGNIFICANT POLICIES (CONTINUED)

Net Other Post-Employment Benefits (OPEB) Liability (Continued)

each employer. OPEB 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. Note 9 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

Unearned Revenue

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

Compensated Absences

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

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

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

Accrued Liabilities

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

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY ACCOUNTING OF SIGNIFICANT POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to places the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Net Position

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

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

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

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY ACCOUNTING OF SIGNIFICANT POLICIES (CONTINUED)

Net Position (Continued)

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

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

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Non-Exchange Transactions

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

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

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY ACCOUNTING OF SIGNIFICANT POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Contributions of Capital

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. Note 7 provides further detail on the District's encumbrances.

Operating Revenues and Expenses

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

Subsequent Events

The District has evaluated subsequent events through the date that the financial statements were available to be issued, November 15, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Issued and Adopted Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of this standard was not significant to the District.

Recent Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

Russellville Independent School District
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB Statement No. 101, Compensated Absences, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 3: CASH AND INVESTMENTS

Deposits

At June 30, 2023, the carrying amounts of the District's cash and investments in deposits were \$6,614,206 and the bank balances were \$6,972,223 which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

| <i>June 30,</i> | | 2023 |
|--------------------|----|-----------|
| Governmental funds | \$ | 6,026,159 |
| Proprietary funds | | 550,411 |
| Fiduciary funds | | 37,636 |
| | \$ | 6,614,206 |

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$6,972,223 was not exposed to custodial credit risk as of June 30, 2023.

Russellville Independent School District
Notes to Financial Statements

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments

The District holds private purpose trust funds as fiduciary funds and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's fiduciary funds have the following recurring fair value measurement as of June 30, 2023:

| Description | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--------------------------------|-------------------|---|--|---|
| <i>June 30, 2023</i> | | | | |
| Securities available for sale: | | | | |
| Mutual funds | \$ 326,482 | \$ 326,482 | \$ - | \$ - |
| Municipal securities | 111,816 | - | 111,816 | - |
| Money Market | 25,497 | 25,497 | - | - |
| | <u>\$ 463,795</u> | <u>\$ 351,979</u> | <u>\$ 111,816</u> | <u>\$ -</u> |

| Trust Fund Investments | Rating | Maturities | Fair Value |
|---|-----------|------------|-------------------|
| Money Market | NR | On Demand | \$ 25,497 |
| Benton Co Washington Pub | A+/Aa3/A+ | 11/1/2026 | 20,250 |
| Logan County Kentucky Schools Dist Fin Corp Sch Bldg Rev | A1 | 12/1/2035 | 15,365 |
| Marshall Cnty Kentucky Sch Dist Fin Corp Sch Bldg Rev Ser 2015 | A1 | 4/1/2031 | 19,858 |
| Barren Cnty Kentucky School Dist Fin Corp Sch Bldg Rev | A1 | 2/1/2031 | 29,667 |
| Kentucky Bond Corporation Finance Program Rev | AA- | 2/1/2040 | 26,676 |
| American Mutual Fund CL A | N/R | - | 103,343 |
| Capital World Growth & Income Fund CL A | N/R | - | 105,236 |
| American Washington Mutual Investors Income Fund of America CL A | N/R | - | 24,410 |
| | | | <u>93,493</u> |
| | | | <u>\$ 463,795</u> |

Russellville Independent School District
Notes to Financial Statements

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. The Mary Hope Henry Music Scholarship Trust Fund's investment policy places no limit on the amount the Fund may invest in any one issuer. More than five percent of the Fund's investments are in Capital World Growth & Income Fund, American Mutual Fund, Income Fund of America, Barren County Kentucky School District Fin Corp, Kentucky Bond Corporation Finance Program Rev, and American Washington Mutual Investors. These investments are 22.69%, 22.28%, 20.16%, 6.4%, 5.75%, and 5.26% respectively of the Fund's investments.

Risks and Uncertainties

The District invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consist of the following:

| June 30, 2023 | | |
|-----------------|----------------------|--------|
| Receivable Fund | Payable Fund | Amount |
| General Fund | Special Revenue Fund | 22,484 |

The amount represents interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

Russellville Independent School District
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

| <i>June 30, 2023</i> | Capital Cost | | | |
|--|------------------------------|------------------|---|---------------------------|
| | Beginning Balance | Additions | Retirements/ Reclassifications | Ending Balance |
| Governmental Activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 225,815 | \$ - | \$ - | \$ 225,815 |
| Construction in progress | - | 371,537 | 139,362 | 232,175 |
| Total non-depreciable historical cost | 225,815 | 371,537 | 139,362 | 457,990 |
| Capital assets that are depreciated: | | | | |
| Land improvements | 1,277,097 | - | - | 1,277,097 |
| Buildings and improvements | 23,026,095 | 153,944 | - | 23,180,039 |
| Technology Equipment | 1,070,991 | 258,700 | 314,145 | 1,015,546 |
| Vehicles | 1,298,964 | 223,991 | - | 1,522,955 |
| General | 819,584 | 19,263 | 33,766 | 805,081 |
| Total depreciable historical cost | 27,492,731 | 655,898 | 347,911 | 27,800,718 |

Russellville Independent School District
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

| <i>June 30, 2023</i> | Capital Cost | | | Ending Balance |
|---|----------------------|-------------------|-----------------------------------|----------------------|
| | Beginning Balance | Additions | Retirements/ Reclassifications | |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,150,188 | 21,709 | - | 1,171,897 |
| Buildings and improvements | 9,929,289 | 536,223 | - | 10,465,512 |
| Technology Equipment | 711,451 | 101,482 | 312,584 | 500,349 |
| Vehicles | 883,039 | 72,440 | - | 955,479 |
| General | 541,702 | 37,427 | 29,377 | 549,752 |
| Total accumulated depreciation | 13,215,669 | 769,281 | 341,961 | 13,642,989 |
| Total depreciable historical cost, net | 14,277,062 | (113,383) | 5,950 | 14,157,729 |
| Governmental activities, capital assets, net | \$ 14,502,877 | \$ 258,154 | \$ 145,312 | \$ 14,615,719 |

Business-Type Activities:

| | | | | |
|--|------------------|------------------|-------------|------------------|
| Capital assets that are depreciated: | | | | |
| General | \$ 335,871 | \$ 26,867 | \$ - | \$ 362,738 |
| Total depreciable historical cost | 335,871 | 26,867 | - | 362,738 |
| Less accumulated depreciation for: | | | | |
| General | 259,156 | 15,312 | - | 274,468 |
| Total accumulated depreciation | 259,156 | 15,312 | - | 274,468 |
| Business-type activities, capital assets, net | \$ 76,715 | \$ 11,555 | \$ - | \$ 88,270 |

Russellville Independent School District
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

| <i>For the year ended June 30,</i> | <u>2023</u> |
|------------------------------------|-------------------|
| Instruction | \$ 42,932 |
| Support services: | |
| Student Support | 3,361 |
| Instructional staff | 946 |
| District administration | 2,952 |
| School administration | 5,181 |
| Business support | 10,965 |
| Facilities operations | 639,554 |
| Student transportation | 63,390 |
| Total depreciation expense | \$ 769,281 |

NOTE 6: LONG-TERM OBLIGATIONS

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

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u> |
|-------------------|-----------------|--------------|
| 2015 | \$ 450,000 | 2.20%—3.50% |
| 2016R | 6,910,000 | 1.00%—2.00% |
| 2018 | 425,000 | 2.00%—3.85% |
| 2020 | 1,345,000 | 1.40%—2.65% |

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

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

Russellville Independent School District
Notes to Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are as follows:

| Year | Russellville Independent School District | | School Facility Construction Commission | | Total Debt Service |
|-----------|--|--------------|---|--------------|--------------------|
| | Interest | Principal | Interest | Principal | |
| 2023—2024 | 88,002 | 577,399 | 36,873 | 172,601 | 874,875 |
| 2024—2025 | 76,310 | 588,689 | 33,163 | 176,311 | 874,473 |
| 2025—2026 | 64,406 | 599,891 | 29,364 | 180,109 | 873,770 |
| 2026—2027 | 52,293 | 615,742 | 25,217 | 184,258 | 877,510 |
| 2027—2028 | 39,792 | 626,490 | 20,964 | 188,510 | 875,756 |
| 2028—2029 | 27,109 | 74,006 | 16,610 | 50,994 | 168,719 |
| 2029—2030 | 25,359 | 77,382 | 14,986 | 52,618 | 170,345 |
| 2030—2031 | 23,550 | 75,704 | 13,308 | 54,296 | 166,858 |
| 2031—2032 | 21,688 | 83,950 | 11,555 | 56,050 | 173,243 |
| 2032—2033 | 19,588 | 82,140 | 9,744 | 57,860 | 169,332 |
| 2033—2034 | 17,549 | 90,269 | 7,873 | 59,731 | 175,422 |
| 2034—2035 | 15,196 | 88,323 | 5,927 | 61,677 | 171,123 |
| 2035—2036 | 12,899 | 92,873 | 3,898 | 32,127 | 141,797 |
| 2036—2037 | 10,489 | 103,014 | 2,908 | 31,986 | 148,397 |
| 2037—2038 | 7,766 | 101,593 | 1,927 | 33,407 | 144,693 |
| 2038—2039 | 4,955 | 93,707 | 875 | 16,293 | 115,830 |
| 2039—2040 | 2,472 | 93,275 | 443 | 16,725 | 112,915 |
| | \$ 509,423 | \$ 4,064,447 | \$ 235,635 | \$ 1,425,553 | \$ 6,235,058 |

Russellville Independent School District
Notes to Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

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

| <i>June 30,</i> | Governmental |
|-----------------|---------------------|
| 2024 | 12,372 |
| 2025 | 1,042 |
| Total | \$ 13,414 |

Changes in long-term obligations are as follows:

| <i>June 30, 2023</i> | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 | Due Within One Year |
|---|---------------------------------|------------------|------------------|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable: | | | | | |
| Bonds | \$6,225,000 | \$ - | \$ (735,000) | \$5,490,000 | \$ 750,000 |
| Less: deferred issuance discount and premium | 3,324 | - | (4,671) | (1,347) | - |
| Total bonds and notes payable | 6,228,324 | - | (739,671) | 5,488,653 | 750,000 |
| Other liabilities: | | | | | |
| Other | 24,541 | - | (11,127) | 13,414 | 12,372 |
| Compensated absences | 254,774 | 72,543 | (56,134) | 271,183 | 77,125 |
| Total other liabilities | 279,315 | 72,543 | (67,261) | 284,597 | 89,497 |
| Total long-term liabilities | \$ 6,507,639 | \$ 72,543 | \$ (806,932) | \$ 5,773,250 | \$ 839,497 |

Russellville Independent School District
Notes to Financial Statements

NOTE 7: FUND BALANCES

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

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

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2023, the District had \$187,211 in the general fund and \$331,189 as restricted for capital projects in the construction funds, \$53,979 restricted in the special revenue fund for local grants, and \$174,023 restricted in the Student Activity fund for student activities.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2023: \$260,000 for compensated absences and \$1,400,000 for a minimum fund balance policy.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$177,290 assigned related to encumbrances in the general fund and the special revenue district activity fund had \$7,832 assigned for operating costs of the District's schools at June 30, 2023. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2023 in the governmental funds balance sheet.

Russellville Independent School District Notes to Financial Statements

NOTE 8: PENSION PLANS

Pensions

Russellville Independent School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 fiduciary net position of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. 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.

General Information about the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 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 is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life benefits for specified employees of local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

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

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. Members hired 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 hired after July 1, 2002 who retires 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, 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 Hired On or After July 1, 2008 and Before January 1, 2022:

Members become vested when they complete 5 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 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) 2.0% 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) 3.0% 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.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

For Members Hired On or After January 1, 2022:

To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 57 and complete ten 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.

The multiplier for members is shown in the following table:

| AGE | Years of Service | | | |
|-------------|------------------|----------|----------|------------|
| | 5-9.99 | 10-19.99 | 20-29.99 | 30 or more |
| 57-60 | | 1.70% | 1.95% | 2.20% |
| 61 | | 1.74% | 1.99% | 2.24% |
| 62 | | 1.78% | 2.03% | 2.28% |
| 63 | | 1.82% | 2.07% | 2.32% |
| 64 | | 1.86% | 2.11% | 2.36% |
| 65 and over | 1.90% | 1.90% | 2.15% | 2.40% |

Supplemental Benefit: The annual supplemental benefit is equal to the account balance that includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance or a portion thereof as a lump sum either at the time of retirement or at a later date.

For members who began participating prior to January 1, 2022, KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. Members who began participating on or after January 1, 2022, will receive a disability benefit to be determined by the board through administrative regulation.

A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members who began participating before January 1, 2022. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled workers.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Russellville Independent School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Contributions

Contribution rates are established by Kentucky Revised Statutes. For members who began participating before January 1, 2022, KTRS members are required to contribute 12.855% of their salaries to the system. 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 joined on or after July 1, 2008, and before January 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 January 1, 2022, members contribute 14.75% of their salaries to the system. Employers of members, including the state (as a non-employer contributing entity), contribute 10.75% of salary.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts.

Pension Liabilities and Pension Expense

At June 30, 2023, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (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 | \$ - |
| State's proportionate share of the net pension liability associated with the District | <u>24,514,565</u> |
| Total | <u><u>\$ 24,514,565</u></u> |

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 rolled forward to June 30, 2022 using standard update procedures.

For the year ended June 30, 2023, the District recognized pension expense of \$894,139 and revenue of \$894,139 for support provided by the State in the government wide financial statements and pension expense of \$2,236,733 and revenue of \$2,236,733 for support provided by the State in the fund statements.

Russellville Independent School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

| Valuation Date | June 30, 2021 |
|---------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Investment rate of return | 7.10% net of pension plan investment expense, including inflation |
| Projected salary increases | 3.00 - 7.50%, including inflation |
| Inflation rate | 2.50% |
| Post-Retirement adjustment | 1.50% |
| Municipal bond index rate | 3.37% |
| Single equivalent interest rate | 7.10% |

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 5-year period ending June 30, 2020, adopted by the board of 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 3.0% 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:

Russellville Independent School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|--------------------------|---|
| Large cap U.S. Equity | 37.4% | 4.20% |
| Small cap U.S. Equity | 2.6% | 4.70% |
| Developed International Equity | 16.5% | 5.30% |
| Emerging Markets Equity | 5.5% | 5.40% |
| Fixed Income | 15.0% | -0.10% |
| High Yield Bonds | 2.0% | 1.70% |
| Other Additional Categories | 5.0% | 2.20% |
| Real Estate | 7.0% | 4.00% |
| Private Equity | 7.0% | 6.90% |
| Cash | 2.0% | -0.30% |
| Total | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the total pension liability 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 the employer contributions will be made at the Actuarially Determined Contribution 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.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

General Information about the CERS Pension Plan

Plan Description

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

Tier 1 - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Non-hazardous Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

NOTE 8: PENSION PLANS (CONTINUED)

Contributions

Employers participating in the CERS are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.454(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of the last annual valuation preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2023, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2023 was 23.40%.

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

At June 30, 2023, the District reported a liability of \$3,916,969 for its proportionate share of the net pension liability. 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 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2022 contributions to the pension plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.054184%.

Russellville Independent School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2023, the District recognized pension expense of \$217,564. 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 |
|--|---|--|
| Difference between expected and actual experience | \$ 4,188 | \$ 34,882 |
| Net difference between projected and actual investment earnings on pension plan investments | 532,982 | 432,565 |
| Change of assumptions | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 11,104 | 329,034 |
| District contributions subsequent to the measurement date | 384,407 | - |
| Total | \$ 932,681 | \$ 796,481 |

\$384,407 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30, | | |
|---------------------|----|-----------|
| 2023 | \$ | (211,212) |
| 2024 | | (115,352) |
| 2025 | | (32,916) |
| 2026 | | 111,273 |
| Thereafter | | - |

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2021. The actuarial assumptions are:

| | |
|---------------------------|------------------------------------|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% |
| Salary increases | 3.30% to 10.30%, varies by service |
| Investment rate of return | 6.25% |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was 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 the disabled members was 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.

Long-Term Expected Rate of Return

The long-term expected rates of return were determined by using a building-block method in which best-estimated ranges of expected future real rates of returns are developed for each asset class. The ranges were 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 table below.

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (continued)

| 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 Fixed Income | 10.00% | 0.28% |
| Specialty Credit | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| Inflation Protected | 20.00% | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.0% | 4.07% |
| Expected Real Return | 100.0% | 4.28% |
| Long Term Inflation Assumption | | 2.30% |
| Expected Nominal Return for Portfolio | | 6.58% |

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

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:

Russellville Independent School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 4,895,725 | \$ 3,916,969 | \$ 3,107,456 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

District employees, in positions requiring a four-year degree 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, health and life insurance benefits for specified employees of 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 Sections 220 through 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 on the TRS website.

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 Health Insurance Trust and Life Insurance Plans. The following information is about the TRS plans:

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Health Insurance Trust

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 Health Insurance Trust is a cost-sharing multiple employer defined benefit plan with a special funding situation funded by employer and member contributions. 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 and a required amount of service credit. The TRS medical plan offers coverage to members under the age of 65 and not eligible for Medicare through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a liability of \$2,566,000 for its proportionate share of 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, and 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 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 0.103361%.

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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 | \$ | 2,566,000 |
| State's proportionate share of the net OPEB liability associated with the District | | 843,000 |
| Total | \$ | 3,409,000 |

For the year ended June 30, 2023, the District recognized OPEB expense of \$84,000, which included \$152,000 related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,079,000 |
| Changes of assumptions | 521,000 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 136,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 833,000 | 40,000 |
| District contributions subsequent to measurement date | 122,390 | - |
| Total | \$ 1,612,390 | \$ 1,119,000 |

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$122,390 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:

| <i>Year ended June 30,</i> | |
|----------------------------|-------------|
| 2023 | \$ (10,000) |
| 2024 | (4,000) |
| 2025 | 14,000 |
| 2026 | 173,000 |
| 2027 | 142,000 |
| Thereafter | 56,000 |

Actuarial Assumptions

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

| | |
|---------------------------------|---|
| Inflation Rate | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Projected Salary Increases | 3.00% - 7.50%, including inflation |
| Investment Rate of Return | 7.10%, net of OPEB plan investment expense, including inflation |
| Municipal Bond Index Rate | 3.37% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including price inflation |
| Discount Rate | 7.10% |
| Healthcare Cost Trends: | |
| KEHP group | 7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032 |
| MEHP group | 5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025 |
| Medicare Part B Premiums | 6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034 |

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

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, 2022. 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 healthcare 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 the 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.

Long-Term Expected Rate of Return

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 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------------|--------------------------|---|
| Global Equity | 58.00% | 5.10% |
| Fixed Income | 9.00% | -0.10% |
| Real Estate | 6.50% | 4.00% |
| Private Equity | 8.50% | 6.90% |
| Additional Catigories: High Yield | 8.00% | 1.70% |
| Other Additional Categories | 9.00% | 2.20% |
| Cash | 1.00% | -0.30% |
| Total | 100.00% | |

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability 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 the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

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 a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the collective net OPEB liability | \$ 3,219,000 | \$ 2,566,000 | \$ 2,025,000 |

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends 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 collective net OPEB liability | \$ 1,924,000 | \$ 2,566,000 | \$ 3,365,000 |

OPEB Plan Fiduciary Net Position

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

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active 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 \$5,000 payable for members who retire based on service or disability and \$2,000 for active contributing members who began participating before January 1, 2022. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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 net OPEB liability, the related Commonwealth of Kentucky (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 | \$ | - |
| State's proportionate share of the net OPEB liability associated with the District | | 42,000 |
| Total | \$ | 42,000 |

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

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

| | |
|---------------------------------|--|
| Inflation Rate | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Projected Salary Increases | 3.00% - 7.50%, including wage inflation |
| Investment Rate of Return | 7.10%, net of OPEB plan investment expense, including inflation |
| Municipal Bond Index Rate | 2.13% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including price inflation |
| Discount Rate | 7.10% |

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 for 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.

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| U.S. Equity | 40.00% | 4.40% |
| International Equity | 23.00% | 5.60% |
| Fixed Income | 18.00% | -0.10% |
| Real Estate | 6.00% | 4.00% |
| Private Equity | 5.00% | 6.90% |
| Other Additional Categories | 6.00% | 2.10% |
| Cash | 2.00% | -0.30% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the KRS Insurance Fund. The KRS Insurance Fund is a cost-sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the CERS contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2023, the required contribution was 3.39% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2023, were \$55,921. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums paid 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. GASB No. 75 requires that the liability associated with this implicit subsidy is included in the calculation of the total OPEB liability.

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a liability of \$1,069,131 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net OPEB liability was based on the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.054174%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$148,972.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 107,617 | \$ 245,177 |
| Net difference between projected and actual investment earnings on OPEB plan investments | 199,083 | 155,690 |
| Change of assumptions | 169,091 | 139,330 |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 60,337 | 138,112 |
| District contributions subsequent to the measurement date | 55,921 | - |
| Total | \$ 592,049 | \$ 678,309 |

For the year ended June 30, 2023, \$55,921 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the 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 OPEB expense as follows:

| <i>Year ended June 30,</i> | |
|----------------------------|-------------|
| 2023 | \$ (15,163) |
| 2024 | (16,887) |
| 2025 | (97,468) |
| 2026 | (12,663) |
| 2027 | - |
| Thereafter | - |

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

| | |
|---------------------------|---|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% |
| Salary Increase | 3.30% to 10.30%, varies by service for CERS non-hazardous |
| 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. |
|---------------------------------|--|

| | |
|----------------------------------|--|
| Healthcare Trend Rates (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. |
|----------------------------|--|

| | |
|---|---|
| Mortality (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. |
|---|---|

| | |
|---------------------------------------|--|
| Mortality (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. |
|---------------------------------------|--|

Long-Term Expected Rate of Return

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 tables below:

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (continued)

| 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 Fixed Income | 10.00% | 0.28% |
| Specialty Credit | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| Inflation Protected | 20.00% | |
| Real Estate | 7.00% | 3.67% |
| Real Return | 13.0% | 4.07% |
| Expected Real Return | 100.0% | 4.28% |
| Long Term Inflation Assumption | | 2.30% |
| Expected Nominal Return for Portfolio | | 6.58% |

Discount Rate

Single discount rates of 5.70% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

Russellville Independent School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate (Continued)

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2023, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the 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 collective net OPEB liability | \$ 1,429,258 | \$ 1,069,131 | \$ 771,426 |

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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Healthcare Rate | 1% Increase |
|---|--------------------|--|--------------------|
| District's proportionate share of the collective net OPEB liability | \$ 794,875 | \$ 1,069,131 | \$ 1,398,461 |

OPEB Plan Fiduciary Net Position

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

Russellville Independent School District
Notes to Financial Statements

NOTE 10: CONTINGENCIES

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

NOTE 11: RISK MANAGEMENT

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

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

NOTE 12: LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

Russellville Independent School District
Notes to Financial Statements

NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has one fund with a deficit net position, Food Service (\$95,224). Also, the following funds had excess current year expenditures over current year appropriated revenues:

| <i>Year ended June 30, 2023</i> | |
|---------------------------------|-----------|
| Fund | Amount |
| SEEK | \$ 21,084 |
| District activity | 1,041 |
| School activity | 2,549 |

NOTE 14: FUND TRANSFERS

Fund transfers for the year ended June 30, 2023 consist of the following:

| From Fund | To Fund | Purpose | Amount |
|-----------------------|-------------------------|------------------|-----------|
| FSPK | General fund | Construction | \$ 90,764 |
| SEEK | General fund | Expenditures | 4,123 |
| Special Revenue fund | General fund | Indirect costs | 319,959 |
| Food Service | General fund | Indirect costs | 60,618 |
| General fund | Special revenue fund | Matching | 17,243 |
| General fund | Special revenue fund | Matching | 19,052 |
| School Activity funds | District Activity Funds | Transfer of fees | 2,246 |
| School Activity funds | District Activity Funds | Transfer of fees | 1,710 |
| SEEK | Construction | Construction | 111,806 |
| FSPK | Construction | Construction | 207,428 |
| General Fund | Construction | Construction | 48,876 |
| FSPK | Debt service | Debt Service | 665,430 |
| General fund | Fiduciary | Scholarship | 18,000 |

Russellville Independent School District
Notes to Financial Statements

NOTE 15: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs, and debt service. The amount received for the fiscal year ended June 30, 2023, was \$3,860,675. These payments were recorded in the funds as follows:

Year ended June 30, 2023

| | |
|-------------------|--------------|
| | |
| General Fund | \$ 3,545,688 |
| Food Service Fund | 105,514 |
| Debt Service Fund | 209,473 |
| Total | \$ 3,860,675 |

Year ended June 30, 2023

| | |
|---|--------------|
| | |
| Technology | \$ 83,463 |
| Health Insurance less Federal Reimbursement | 1,199,178 |
| Life Insurance | 2,076 |
| Administrative Fees | 16,572 |
| HRA / Dental / Vision Insurance | 64,925 |
| SFCC Debt Service | 209,473 |
| KTRS | 2,284,988 |
| Total | \$ 3,860,675 |

Russellville Independent School District
Budgetary Comparison Schedule for the General Fund

| <i>For the year ended June 30, 2023</i> | Budgeted Amounts | | Actual | Variances |
|---|-------------------|-------------------|-------------------|------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local and intermediate sources | \$ 3,123,000 | \$ 3,142,700 | \$ 3,573,655 | \$ 430,955 |
| State programs | 4,991,143 | 5,205,067 | 8,762,208 | 3,557,141 |
| Federal programs | 35,000 | 35,000 | 190,440 | 155,440 |
| Total revenues | 8,149,143 | 8,382,767 | 12,526,303 | 4,143,536 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 4,480,021 | 4,578,164 | 6,832,317 | (2,254,153) |
| Support services: | | | | |
| Student | 275,820 | 275,820 | 451,866 | (176,046) |
| Instructional staff | 219,731 | 219,731 | 375,117 | (155,386) |
| District administration | 382,117 | 382,117 | 526,269 | (144,152) |
| School administration | 715,391 | 715,391 | 1,095,871 | (380,480) |
| Business | 304,260 | 304,260 | 431,060 | (126,800) |
| Plant operations and maintenance | 1,435,350 | 1,627,855 | 1,741,429 | (113,574) |
| Student transportation | 569,610 | 463,710 | 648,095 | (184,385) |
| Other | 2,649,002 | 2,637,002 | - | 2,637,002 |
| Total expenditures | 11,031,302 | 11,204,050 | 12,102,024 | (897,974) |

Russellville Independent School District
Budgetary Comparison Schedule for the General Fund

| <i>For the year ended June 30, 2023</i> | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variances</u> |
|---|-------------------------|--------------|---------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final to Actual</u> |
| Excess (deficiency) of revenues over expenditures | (2,882,159) | (2,821,283) | 424,279 | 3,245,562 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers - net | 48,001 | (12,875) | 372,293 | 385,168 |
| Total other financing sources (uses) | 48,001 | (12,875) | 372,293 | 385,168 |
| Net change in fund balance | (2,834,158) | (2,834,158) | 796,572 | 3,630,730 |
| Fund balance - beginning of year | 2,834,158 | 2,834,158 | 4,494,158 | 1,660,000 |
| Fund balance - end of year | \$ - | \$ - | \$ 5,290,730 | \$ 5,290,730 |

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

| <i>For the year ended June 30, 2023</i> | Budgeted Amounts | | Actual | Variances |
|--|------------------|------------------|------------------|--------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local and intermediate sources | \$ - | \$ 27,853 | \$ 42,636 | \$ 14,783 |
| State programs | 528,987 | 592,108 | 589,437 | (2,671) |
| Federal programs | 949,089 | 1,172,552 | 4,086,087 | 2,913,535 |
| Total revenues | 1,478,076 | 1,792,513 | 4,718,160 | 2,925,647 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 845,419 | 979,632 | 2,378,660 | (1,399,028) |
| Support services: | | | | |
| Student | 53,095 | 166,067 | 477,167 | (311,100) |
| Instructional staff | 365,964 | 435,073 | 941,230 | (506,157) |
| Plant operations and maintenance | 17,857 | 16,000 | 50,436 | (34,436) |
| Student transportation | 14,000 | 14,000 | 235,026 | (221,026) |
| Other | 197,740 | 197,263 | 340,614 | (143,351) |
| Total expenditures | 1,494,075 | 1,808,035 | 4,423,133 | (2,615,098) |
| Excess (deficiency) of revenues over expenditures | (15,999) | (15,522) | 295,027 | 310,549 |

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

| <i>For the year ended June 30, 2023</i> | <u>Budgeted Amounts</u> | | Actual | <u>Variances</u> |
|---|-------------------------|---------------|------------------|--------------------|
| | Original | Final | | Final to Actual |
| Other Financing Sources (Uses) | | | | |
| Operating transfers - net | 15,999 | 15,522 | (283,664) | (299,186) |
| Total other financing sources (uses) | 15,999 | 15,522 | (283,664) | (299,186) |
| Net change in fund balance | - | - | 11,363 | 11,363 |
| Fund balance - beginning of year | - | - | 42,616 | 42,616 |
| Fund balance - end of year | \$ - | \$ - | \$ 53,979 | \$ 53,979 |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions
Kentucky Teachers' Retirement System

| Schedule of the District's Proportionate Share of the Net Pension Liability - KTRS | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>As of June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the District | \$ 24,514,565 | \$ 18,396,045 | \$ 20,198,877 | \$ 18,584,098 | \$ 18,703,026 | \$ 37,412,114 | \$ 39,751,690 | \$ 33,190,897 | \$ 31,376,699 |
| District's covered payroll | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 | \$ 4,843,357 | \$ 4,496,339 | \$ 4,736,886 | \$ 4,788,261 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.41% | 65.59% | 58.27% | 58.80% | 59.30% | 39.83% | 35.22% | 42.49% | 45.59% |

| Schedule of District's Contribution - KTRS | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>For the years ended June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 5,851,405 | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 | \$ 4,843,357 | \$ 4,496,339 | \$ 4,736,886 |
| Contributions as a percentage of covered payroll | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions
Kentucky Teachers' Retirement System

Changes of Benefit Terms

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

Changes of Assumptions

2022: No changes in assumptions.

2021: 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 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 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

2018: the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2017: the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2016: rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2015: the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

2014: the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions
County Employees' Retirement System

| Schedule of the District's Proportionate Share of the Net Pension Liability - CERS | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>As of June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.054184% | 0.059249% | 0.063559% | 0.059788% | 0.053871% | 0.054552% | 0.053942% | 0.051806% | 0.056471% |
| District's proportionate share of the net pension liability | \$ 3,916,969 | \$ 3,777,588 | \$ 4,874,923 | \$ 4,204,917 | \$ 3,281,030 | \$ 3,193,096 | \$ 2,655,886 | \$ 2,227,411 | \$ 1,832,000 |
| District's covered payroll | \$ 1,516,197 | \$ 1,522,425 | \$ 1,639,513 | \$ 1,528,705 | \$ 1,341,657 | \$ 1,326,910 | \$ 1,304,469 | \$ 1,210,055 | \$ 1,279,884 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 258.34% | 248.13% | 297.34% | 275.06% | 244.55% | 240.64% | 203.60% | 184.08% | 143.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.42% | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% |
| Schedule of District's Contribution - CERS | | | | | | | | | |
| <i>For the years ended June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 384,407 | \$ 320,979 | \$ 293,828 | \$ 316,426 | \$ 247,956 | \$ 194,272 | \$ 185,104 | \$ 162,015 | \$ 154,282 |
| Contributions in relation to the contractually required contribution | (384,407) | (320,979) | (293,828) | (316,426) | (247,956) | (194,272) | (185,104) | (162,015) | (154,282) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 1,642,765 | \$ 1,516,197 | \$ 1,522,425 | \$ 1,639,513 | \$ 1,528,705 | \$ 1,341,657 | \$ 1,326,910 | \$ 1,304,469 | \$ 1,210,055 |
| Contributions as a percentage of covered payroll | 23.40% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions
County Employees' Retirement System

Changes of Benefit Terms

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

2022: No changes in benefit terms.

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

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

2022: No changes in assumptions.

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

2020: During the 2020 legislative session, Senate Bill 249 was enacted which 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 Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions
County Employees' Retirement System

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: 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, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

| <i>As of June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the collective net OPEB liability | 0.103361% | 0.074288% | 0.055290% | 0.071700% | 0.072627% | 0.072170% |
| District's proportionate share of the collective net OPEB liability | \$ 2,566,000 | \$ 1,594,000 | \$ 1,906,000 | \$ 2,099,000 | \$ 2,520,000 | \$ 2,573,000 |
| District's covered payroll | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 | \$ 4,843,357 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 44.80% | 31.02% | 36.45% | 42.12% | 50.78% | 53.12% |
| Plan fiduciary net position as a percentage of the total OEPB liability | 47.75% | 51.74% | 39.05% | 32.58% | 25.50% | 21.18% |

Schedule of the District's Contributions - KTRS

| <i>For the years ended June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 122,390 | \$ 124,621 | \$ 118,977 | \$ 127,772 | \$ 120,043 | \$ 120,043 |
| Contributions in relation to the contractually required contribution | 122,390 | 124,621 | 118,977 | 127,772 | 120,043 | 120,043 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 5,851,405 | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 |
| Contributions as percentage of covered payroll | 2.09% | 2.18% | 2.32% | 2.44% | 2.41% | 2.42% |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund

Changes of Benefit Terms

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

2021: No changes of benefit terms

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2022: The health care trend rates were updated to reflect future anticipated experience.

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 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 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

| <i>As of June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the collective net OPEB liability | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 | \$ 4,843,357 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OEPB liability | 73.97% | 89.15% | 71.57% | 73.40% | 75.00% | 79.99% |

Schedule of the District's Contributions - KTRS

| <i>For the years ended June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 5,851,405 | \$ 5,727,753 | \$ 5,137,808 | \$ 5,228,743 | \$ 4,983,228 | \$ 4,962,914 |
| Contributions as percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund

Changes of Benefit Terms

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

Changes of Assumptions

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 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 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

| <i>As of June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.054174% | 0.059236% | 0.063540% | 0.059777% | 0.053871% | 0.054552% |
| District's proportionate share of the net OPEB liability | \$ 1,069,131 | \$ 1,134,044 | \$ 1,534,298 | \$ 1,005,405 | \$ 956,469 | \$ 1,096,682 |
| District's covered payroll | \$ 1,516,197 | \$ 1,522,425 | \$ 1,639,513 | \$ 1,528,705 | \$ 1,341,657 | \$ 1,326,910 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 70.51% | 74.49% | 93.58% | 65.77% | 71.29% | 82.65% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 62.91% | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |

Schedule of District Contributions - CERS

| <i>For the years ended June 30,</i> | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 55,921 | \$ 87,583 | \$ 72,541 | \$ 78,120 | \$ 80,463 | \$ 63,042 |
| Contributions in relation to the contractually required contribution | 55,921 | 87,583 | 72,541 | 78,120 | 80,463 | 63,042 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 1,642,765 | \$ 1,516,197 | \$ 1,522,425 | \$ 1,639,513 | \$ 1,528,705 | \$ 1,341,657 |
| Contributions as a percentage of covered payroll | 3.39% | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% |

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

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

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2022: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. During the 2022 legislative session, Senate Bill 209 was enacted which increased the insurance dollar contribution for members hired on or after July 1, 2023 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.

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

2020: During the 2020 legislative session, Senate Bill 249 was enacted which 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 Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

Russellville Independent School District
Schedule of the District's Proportionate Share of the Collective
Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update 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, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Russellville Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds

| <i>June 30, 2023</i> | SEEK Capital Outlay Fund | FSPK Fund | District Activity Funds | Student Activity Funds | Debt Service Fund | Total Other Governmental Funds |
|--|-----------------------------|-------------|----------------------------|---------------------------|----------------------|--------------------------------------|
| Assets | | | | | | |
| Cash | \$ - | \$ - | \$ 7,832 | \$ 183,172 | \$ - | \$ 191,004 |
| Accounts receivable | - | - | - | 350 | - | 350 |
| Total assets | \$ - | \$ - | \$ 7,832 | \$ 183,522 | \$ - | \$ 191,354 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 9,499 | \$ - | \$ 9,499 |
| Total liabilities | - | - | - | 9,499 | - | 9,499 |
| Fund Balances | | | | | | |
| Restricted | - | - | - | 174,023 | - | 174,023 |
| Assigned | - | - | 7,832 | - | - | 7,832 |
| Total fund balances | - | - | 7,832 | 174,023 | - | 181,855 |
| Total liabilities and fund balances | \$ - | \$ - | \$ 7,832 | \$ 183,522 | \$ - | \$ 191,354 |

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

| <i>For the year ended June 30, 2023</i> | SEEK Capital Outlay Fund | FSPK Fund | District Activity Fund | School Activity Funds | Debt Service Fund | Total Other Governmental Funds |
|---|-----------------------------|------------------|---------------------------|--------------------------|----------------------|--------------------------------------|
| Revenues | | | | | | |
| From local sources: | | | | | | |
| Property taxes | \$ - | \$ 356,280 | \$ - | \$ - | \$ - | \$ 356,280 |
| Other local revenue | - | - | - | 340,916 | - | 340,916 |
| Intergovernmental - state | 94,845 | 607,342 | - | - | 209,473 | 911,660 |
| Total revenues | 94,845 | 963,622 | - | 340,916 | 209,473 | 1,608,856 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction | - | - | 4,997 | 339,509 | - | 344,506 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 735,000 | 735,000 |
| Interest | - | - | - | - | 139,903 | 139,903 |
| Total expenditures | - | - | 4,997 | 339,509 | 874,903 | 1,219,409 |
| Excess (deficiency) of revenues over expenditures | 94,845 | 963,622 | (4,997) | 1,407 | (665,430) | 389,447 |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in | - | - | 3,956 | - | 665,430 | 669,386 |
| Operating transfers out | (115,929) | (963,622) | - | (3,956) | - | (1,083,507) |
| Total other financing sources (uses) | (115,929) | (963,622) | 3,956 | (3,956) | 665,430 | (414,121) |
| Net change in fund balances | (21,084) | - | (1,041) | (2,549) | - | (24,674) |
| Fund balances - beginning of year | 21,084 | - | 8,873 | 176,572 | - | 206,529 |
| Fund balances - end of year | \$ - | \$ - | \$ 7,832 | \$ 174,023 | \$ - | \$ 181,855 |

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

| <i>June 30, 2023</i> | Mary Hope Henry Music Scholarship Trust Fund | Other Scholarship Trust Funds | Total Private Purpose Trust Funds |
|--------------------------------|---|--|--|
| Assets | | | |
| Cash | \$ - | \$ 37,636 | \$ 37,636 |
| Investments | 463,795 | - | 463,795 |
| <hr/> | | | |
| Total assets | 463,795 | 37,636 | 501,431 |
| <hr/> | | | |
| Net Position | | | |
| Held in trust for scholarships | 463,795 | 37,636 | 501,431 |
| <hr/> | | | |
| Net position | \$ 463,795 | \$ 37,636 | \$ 501,431 |
| <hr/> <hr/> | | | |

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

| <i>For the year ended June 30, 2023</i> | Mary Hope Henry Music Scholarship Trust Fund | Other Scholarship Trust Funds | Total Private Purpose Trust Funds |
|---|---|--|--|
| Additions | | | |
| Earnings on investments | \$ 19,732 | \$ 817 | \$ 20,549 |
| Unrealized gain on investments | 12,910 | - | 12,910 |
| Fund transfers from general fund | 18,000 | - | 18,000 |
| Total additions | 50,642 | 817 | 51,459 |
| Deductions | | | |
| Scholarships | 42,900 | - | 42,900 |
| Administrative fees | 1,792 | - | 1,792 |
| Total deductions | 44,692 | - | 44,692 |
| Change in net position | 5,950 | 817 | 6,767 |
| Net position - beginning of year | 457,845 | 36,819 | 494,664 |
| Net position - end of year | \$ 463,795 | \$ 37,636 | \$ 501,431 |

Russellville Independent School District
Combining Statement of School Activity Funds

| <i>As of and for the year ended June 30, 2023</i> | Cash July 1, 2022 | Cash Receipts & Transfers In | Cash Disbursements & Transfers Out | Cash June 30, 2023 | Accounts Receivable | Accounts Payable | Fund Balance June 30, 2023 |
|---|------------------------------|---|---|-------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Russellville High School | \$ 116,826 | \$ 259,466 | \$ 260,435 | \$ 115,857 | \$ 350 | \$ 9,499 | \$ 106,708 |
| Russellville Jr. High School | 32,668 | 72,511 | 64,723 | 40,456 | - | - | 40,456 |
| Stevenson Elementary School | 29,988 | 31,874 | 35,003 | 26,859 | - | - | 26,859 |
| Total | \$ 179,482 | \$ 363,851 | \$ 360,161 | \$ 183,172 | \$ 350 | \$ 9,499 | \$ 174,023 |

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

| <i>As of and for the year ended June 30, 2023</i> | Cash July 1, 2022 | Cash Receipts & Transfers In | Cash Disbursements & Transfers Out | Cash June 30, 2023 | Accounts Receivable | Accounts Payable | Fund Balance June 30, 2023 |
|---|------------------------------|---|---|-------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Academic Team | \$ 47 | \$ - | \$ - | \$ 47 | \$ - | \$ - | \$ 47 |
| Archery | 12,982 | 27,101 | 25,432 | 14,651 | - | 7,753 | 6,898 |
| Art Club | 101 | 696 | 740 | 57 | - | - | 57 |
| Athletics | 31,964 | 77,759 | 76,483 | 33,240 | - | 1,690 | 31,550 |
| Band | 3,305 | 1,931 | 3,075 | 2,161 | - | - | 2,161 |
| Baseball | 6,209 | 12,243 | 10,513 | 7,939 | - | - | 7,939 |
| Beta Club | 1,636 | 6,871 | 7,960 | 547 | - | - | 547 |
| Book Club | 338 | 168 | 122 | 384 | - | - | 384 |
| Boys Basketball | 4,016 | 11,389 | 9,446 | 5,959 | - | - | 5,959 |
| Cheerleaders | 105 | 14,508 | 10,103 | 4,510 | 200 | - | 4,710 |
| Class of 2024 | 203 | - | - | 203 | - | - | 203 |
| College & Career Ready | 500 | - | - | 500 | - | - | 500 |
| Drama | 1,756 | 3,180 | 2,115 | 2,821 | - | - | 2,821 |
| Fellowship of Christian Athletes | 273 | 74 | - | 347 | - | - | 347 |
| Field Trip | 409 | - | - | 409 | - | - | 409 |
| FMD | 2,362 | 150 | 1,443 | 1,069 | - | - | 1,069 |
| Football | 3,482 | 15,470 | 18,793 | 159 | - | - | 159 |
| Gate Funds | 494 | - | - | 494 | - | - | 494 |
| Gifted/Talented | 558 | - | - | 558 | - | - | 558 |
| Girls Basketball | 6,355 | 8,737 | 14,388 | 704 | - | - | 704 |
| Girls Soccer | 3,988 | 3,862 | 5,021 | 2,829 | - | - | 2,829 |
| Golf | 3,831 | - | 1,516 | 2,315 | - | - | 2,315 |

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

| <i>As of and for the year ended June 30, 2023</i> | Cash July 1, 2022 | Cash Receipts & Transfers In | Cash Disbursements & Transfers Out | Cash June 30, 2023 | Accounts Receivable | Accounts Payable | Fund Balance June 30, 2023 |
|---|------------------------------|---|---|-------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Guidance | 121 | - | - | 121 | - | - | 121 |
| Jr. Beta | 1,009 | - | - | 1,009 | - | - | 1,009 |
| National Honor Society | 602 | - | 200 | 402 | - | - | 402 |
| Pep Club | 267 | - | - | 267 | - | - | 267 |
| Rotary | 100 | - | - | 100 | - | - | 100 |
| Rotary-Kemp | 50 | - | - | 50 | - | - | 50 |
| Rotary-Triplett | - | 50 | - | 50 | - | - | 50 |
| Stem | 81 | - | - | 81 | - | - | 81 |
| STLP | 749 | 100 | 728 | 121 | - | - | 121 |
| Student Council | 709 | - | - | 709 | - | - | 709 |
| Senior Class | 1,088 | 11,052 | 10,697 | 1,443 | - | - | 1,443 |
| Soccer | 4,448 | 13,910 | 14,705 | 3,653 | 150 | - | 3,803 |
| Softball | 8,299 | 19,557 | 20,377 | 7,479 | - | - | 7,479 |
| Spanish Club | 356 | 95 | 95 | 356 | - | - | 356 |
| Student Activities | 2,421 | 4,947 | 5,639 | 1,729 | - | - | 1,729 |
| Swim Team | 672 | 800 | 258 | 1,214 | - | - | 1,214 |
| Teacher Lounge | 289 | 584 | 95 | 778 | - | - | 778 |
| RHS Tennis | 1,999 | 3,483 | 4,380 | 1,102 | - | - | 1,102 |
| G/B Track | 263 | 1,550 | 670 | 1,143 | - | - | 1,143 |
| Travel Club | 181 | 119 | - | 300 | - | - | 300 |

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

| <i>As of and for the year ended June 30, 2023</i> | Cash July 1, 2022 | Cash Receipts & Transfers In | Cash Disbursements & Transfers Out | Cash June 30, 2023 | Accounts Receivable | Accounts Payable | Fund Balance June 30, 2023 |
|---|------------------------------|---|---|-------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| Y Club | 898 | - | - | 898 | - | - | 898 |
| Yearbook | 924 | 907 | 1,231 | 600 | - | - | 600 |
| Young Republicans | 363 | - | 239 | 124 | - | - | 124 |
| Youth Service Center | 2,837 | 8,769 | 2,901 | 8,705 | - | 56 | 8,649 |
| Washington DC | 18 | - | - | 18 | - | - | 18 |
| CHANGE | 150 | 4,150 | 4,300 | - | - | - | - |
| District Activity Funds | - | 1,710 | 1,710 | - | - | - | - |
| | \$ 116,826 | \$ 259,466 | \$ 260,435 | \$ 115,857 | \$ 350 | \$ 9,499 | \$ 106,708 |

Russellville Independent School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Agriculture | | | | |
| Child Nutrition Cluster | | | | |
| Direct Program: | | | | |
| Food Distribution Program - non-cash Passed-Through State Department of Education: | 10.555 | -- | - | \$ 17,943 |
| School Breakfast Program | 10.553 | 7760005 23 | - | 270,701 |
| National School Lunch Program | 10.555 | 7750002 23 | - | <u>646,444</u> |
| Subtotal | | | | 935,088 |
| State Administrative Expenses for Child Nutrition | 10.560 | 7700001 22 | - | 709 |
| Total U.S. Department of Agriculture | | | | 935,797 |
| U.S. Department of Education | | | | |
| Direct Program: | | | | |
| Impact Aid | 84.041 | -- | - | 10,609 |
| Fund for the Improvement of Education - 2019 | 84.215G | -- | - | 585,501 |
| Passed-Through State Department of Education: | | | | |
| Title I, Part A | | | | |
| Title I Grants to Local Educational Agencies - 2021 | 84.010 | 3100002 20 | - | 266 |
| Title I Grants to Local Educational Agencies - 2022 | 84.010 | 3100002 21 | - | 267,427 |
| Title I Grants to Local Educational Agencies - 2023 | 84.010 | 3100002 22 | - | 450,405 |
| Title I Grants to Local Educational Agencies - 2023 | 84.010 | 3100002 22 | - | <u>4,505</u> |
| Subtotal | | | | 722,603 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Russellville Independent School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| Special Education Cluster | | | | |
| Special Education Grants to States - 2022 | 84.027 | 3810002 21 | - | 77,238 |
| Special Education Grants to States - 2023 | 84.027 | 3810002 22 | - | 265,706 |
| Special Education Preschool Grants - 2022 | 84.173 | 3800002 21 | - | 3,574 |
| Special Education Preschool Grants - 2023 | 84.173 | 3800002 22 | - | 36,673 |
| COVID-19 ARP IDEA B Preschool | 84.173 | 3800002 21 | - | 62,833 |
| COVID-19 ARP IDEA B Preschool | 84.173 | 3800002 21 | - | <u>4,893</u> |
| Subtotal | | | | 450,917 |
| English Language Acquisition State Grants - | | | | |
| 2022 | 84.365 | 3300002 21 | - | 2,205 |
| English Language Acquisition State Grants - | | | | |
| 2023 | 84.365 | 3300002 22 | - | <u>8,782</u> |
| Subtotal | | | | 10,987 |
| Career and Technical Education - Basic Grants | | | | |
| to States - 2022 | 84.048 | 3710002 21 | | 872 |
| Career and Technical Education - Basic Grants | | | | |
| to States - 2023 | 84.048 | 3710002 22 | | <u>7,611</u> |
| Subtotal | | | | 8,483 |
| Rural Education - 2022 | | | | |
| | 84.358 | 3140002 21 | - | 3,167 |
| Rural Education - 2023 | 84.358 | 3140002 22 | - | <u>16,139</u> |
| Subtotal | | | | 19,306 |
| Supporting Effective Instruction State Grants - | | | | |
| 2023 | 84.367 | 3230002 22 | - | 57,619 |
| Comprehensive Literacy Development - 2022 | | | | |
| Title IV, B Student Support & Academic | 84.371 | 3220002 19 | | - |
| Enrichment Program -2021 | 84.424 | 3420002 20 | - | 802 |
| Title IV, B Student Support & Academic | | | | |
| Enrichment Program - 2022 | 84.424 | 3420002 21 | - | 222 |
| Title IV, B Student Support & Academic | | | | |
| Enrichment Program - 2023 | 84.424 | 3420002 22 | - | 26,000 |
| Title IV, B Student Support & Academic | | | | |
| Enrichment Program - 2023 | 84.424 | 3420002 22 | - | 2,046 |
| Title IV, B Student Support & Academic | | | | |
| Enrichment Program - 2023 | 84.424 | 3420002 22 | - | <u>7,200</u> |
| Subtotal | | | | 36,270 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Russellville Independent School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

| Federal Grantor Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| COVID-19 Education Stabilization Fund COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | 4200002 21 | - | 210,199 |
| COVID-19 - Elementary and Secondary School Emergency Relief | 84.425U | 4300002 21 | - | 879,178 |
| COVID-19 - Elementary and Secondary School Emergency Relief | 84.425U | 4320002 21 | - | 1,576 |
| COVID-19 - Elementary and Secondary School Emergency Relief | 84.425U | 4320002 21 | - | 1,190 |
| COVID-19 - Elementary and Secondary School Emergency Relief | 84.425U | 4320002 21 | - | 950,514 |
| Passed-Through Green River Regional Educational Cooperative: COVID-19 - Elementary and Secondary School Emergency Relief | 84.425U | 4320002 22 | - | <u>8,886</u> |
| Subtotal | | | | 2,051,543 |
| Total U.S. Department of Education | | | | 4,022,932 |
| U.S. Department of Health and Human Services | | | | |
| Passed-Through Barren River Area Development District : | | | | |
| Child Care and Development Block Grant | 93.575 | 12 736 2200000 | - | 73,464 |
| Promoting Adolescent Health Through School- Based Surveillance | 93.079 | -- | - | 300 |
| Total U.S. Department of Health and Human Services | | | | 73,764 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 5,032,493 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Russellville Independent School District (the "District") under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, 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.

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

NOTE 3: INDIRECT COST RATE

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

- Child Nutrition Cluster
- Title I, Part A
- Special Education Cluster
- Elementary and Secondary School Emergency Relief
- Fund for Improvement of Education
- Comprehensive Literacy Development

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

NOTE 4: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 5: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2023.

Russellville Independent School District
Summary Schedule of Prior Audit Findings

None reported.



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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Russellville Independent School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Russellville Independent School District's basic financial statements, and have issued our report thereon dated November 15, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 15, 2023



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**Independent Auditors' 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
Russellville Independent School District
Russellville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Russellville 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 auditors' 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; the standards applicable to the 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 Auditors' 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.

Auditors' 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 15, 2023

Russellville Independent School District
Schedule of Findings and Questioned Costs

Section I — Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))? Yes No

Identification of major federal programs:

| Federal Assistance Listing Number | Name of Federal Program or Cluster |
|-----------------------------------|---------------------------------------|
| 84.425 | COVID-19 Education Stabilization Fund |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Russellville Independent School District
Schedule of Findings and Questioned Costs

Section II — Financial Statement Findings

2023-001 Payroll

Criteria and Condition: During our audit procedures over payroll controls, we noted the lack of approval for two payroll timesheets.

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements relating to payroll.

Effect: The District's financial statements could contain misstated account balances.

Recommendation: We recommend the District enhance the payroll process to ensure proper documented approval is maintained for payroll expenses.

Views of Responsible Officials and Planned Corrective Actions: The District concurs with the finding, see corrective action plan.

Section III — Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

2023-002 Pass-through Kentucky Department of Education; COVID-19 Education Stabilization Fund –Assistance Listing No. 84.425; Grant period –Year ended June 30, 2023

Criteria and Condition: 2 CFR 200.303 requires the non-federal entity to establish and maintain effective internal controls over compliance with Federal statues, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance.

COVID-19 Education Stabilization Funds require disbursements to contain documentation of approval by the Program Director.

Cause: Disbursements using COVID-19 Education Stabilization Funds were not documented as approved by the Program Director.

Effect: Disbursements could be made using COVID-19 Stabilization Funds that are not in compliance with grant requirements.

Questioned Costs: No questioned costs were incurred from this finding.

Russellville Independent School District Schedule of Findings and Questioned Costs

Context: A sample of 17 disbursements, from a population of 124 disbursements, was selected for audit procedures. On the 13th disbursement tested from the sample, we noted it lacked documentation of approval by the Program Director. The sample was not a statistically valid sample.

Recommendation: The COVID-19 Education Stabilization Fund Program Director should document approval of all disbursements.

Views of Responsible Officials and Planned Corrective Actions: The District concurs with the finding, see corrective action plan.

Russellville Independent School District
Corrective Action Plan

RUSSELLVILLE INDEPENDENT SCHOOLS

355 South Summer Street
Russellville, Kentucky 42276

Telephone: (270) 726-8405

FAX: (270) 726-4036

Kyle Estes
Superintendent

James C. Milam
Board Chairman

CORRECTIVE ACTION PLAN

November 15, 2023

Kentucky Department of Education

The Russellville Independent School District respectfully submits the following corrective action plan for the year ended June 30, 2023.

Carr, Riggs & Ingram LLC
PO Box 104
Bowling Green, KY 42102

Findings - Financial Statement Audit

Significant Deficiency

2023-001 Payroll

Criteria and Condition: During our audit procedures over payroll controls, we noted the lack of approval for two payroll timesheets.

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements relating to payroll.

Effect: The District's financial statements could contain misstated account balances.

Recommendation: We recommend the District enhance the payroll process to ensure proper documented approval is maintained for payroll expenses.

Action Taken: In regard to 2023-001 Payroll, management will reinforce with staff the need to follow controls related to monitor/approving payroll. This action will be taken today, November 15, 2023.

"Every Child, Every Day"

The Russellville Independent Board of Education does not discriminate on the basis of age, color, disability, race, genetic information, national origin or sex in its programs and activities and provides equal access to its facilities to the Boy Scouts and other designated youth groups.

Russellville Independent School District
Corrective Action Plan

RUSSELLVILLE INDEPENDENT SCHOOLS

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FAX: (270) 726-4036

Kyle Estes
Superintendent

James C. Milam
Board Chairman

Section III — Federal Award Findings and Questioned Costs

DEPARTMENT OF EDUCATION

2023-002 Pass-through Kentucky Department of Education; COVID-19 Education Stabilization Fund – Assistance Listing No. 84.425; Grant period –Year ended June 30, 2023

Criteria and Condition: 2 CFR 200.303 requires the non-federal entity to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of the Federal award including proper tracking of grant expenditures or compliance.

COVID-19 Education Stabilization Funds require disbursements to contain documentation of approval by the Program Director.

Cause: Disbursements using COVID-19 Education Stabilization Funds were not documented as approved by the Program Director.

Effect: Disbursements could be made using COVID-19 Stabilization Funds that are not in compliance with grant requirements.

Action Taken: In regard to 2023-002 COVID-19 Education Stabilization Fund, management will reinforce with staff the need to follow controls related to monitoring/approving grant disbursements. This action will be taken today, November 15, 2023.

If the Kentucky Department of Education has questions regarding this plan, please call Matthew Davenport at 270-726-8405.

Matthew Davenport
Finance Officer, Russellville Independent School District

“Every Child, Every Day”

The Russellville Independent Board of Education does not discriminate on the basis of age, color, disability, race, genetic information, national origin or sex in its programs and activities and provides equal access to its facilities to the Boy Scouts and other designated youth groups.



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

In planning and performing our audit of the financial statements of Russellville Independent School District (the "District") for the year ended June 30, 2023, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 14, 2023 contains our report on the District's internal control. This letter does not affect our report dated November 15, 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 the comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

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

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 15, 2023

Russellville Independent School District
Comments and Recommendations

Current Year Comments

- None noted

Prior Year Comments

Stevenson Elementary School

- Prior year comments were corrected.



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