

**RUSSELL COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2025**

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January 30, 2026

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Russell County School District
Jamestown, KY 42629

Report on 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 Russell County School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Russell County School 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 Russell County School District, as of June 30, 2025, 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, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Russell County School District and to meet our 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.

Change in Accounting Principle

As described in Note A to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Russell County School 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 Russell County School District's ability to continue as a going concern for a reasonable period of time.

I am 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 matters that I 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 information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 56 through 57, and 60 through 62 be presented to

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Russell County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the 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 relates 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 my report dated January 30, 2026, on our consideration of Russell County 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 Russell County School 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 Russell County School District's internal control over financial reporting and compliance.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

**RUSSELL COUNTY PUBLIC SCHOOL DISTRICT – Jamestown, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025**

As management of the Russell County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The June 30, 2025 cash balance for the District was \$20,152,930, as compared with the beginning cash balance of \$12,620,180. The ending cash balance consists of General Fund of \$9,438,353, Special Revenue of \$613,780, District Activity Fund of \$25,452, School Activity Fund of \$307,567, Capital Outlay of \$0, Building (FSPK) Fund of \$459,926, Construction Fund of \$8,862,473, Debt Service Fund of \$0, and Food Service of \$445,379.
- District-wide net position increased \$2,361,199 during the 2025 fiscal year. Total liabilities had an increase of \$5,499,647.
- The General Fund had \$31.7 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$32.5 million in General Fund expenditures.
- General Fund revenue increased \$1,963,201 from last fiscal year and General Fund expenses increased \$2,851,540.
- The financial statements reflect revenues of \$9,467,354 from the state on-behalf of District employees for retirement contributions, health insurance, administration fees, debt service and technology with a like amount of expenses recorded.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-wide financial statements

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

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

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

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

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

Fund financial statements

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

The basic governmental fund financial statements can be found on pages 13-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 22-52 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$26.1 million as of June 30, 2025.

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

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

Net Position for the period ending June 30, 2025 and June 30, 2024

A comparison of June 30, 2025 and June 30, 2024 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and Other Assets	\$ 20,949,721	\$ 13,845,660	\$ 747,371	\$ 953,538	\$ 21,697,092	\$ 14,799,198
Capital Assets	75,685,986	73,834,677	622,772	601,714	76,308,758	74,436,391
Deferred Outflows	<u>5,801,289</u>	<u>7,950,368</u>	<u>778,616</u>	<u>1,192,570</u>	<u>6,579,905</u>	<u>9,142,938</u>
Total Assets and Deferred Outflows	<u>102,436,996</u>	<u>95,630,705</u>	<u>2,148,759</u>	<u>2,747,822</u>	<u>104,585,755</u>	<u>98,378,527</u>
Current Liabilities	4,833,849	4,762,062	36,985	37,562	4,870,834	4,799,624
Non-Current Liabilities	62,819,135	57,022,987	2,057,771	2,425,482	64,876,906	59,448,469
Deferred Inflows	<u>7,581,868</u>	<u>8,994,912</u>	<u>1,191,113</u>	<u>1,492,713</u>	<u>8,772,981</u>	<u>10,487,625</u>
Total Liabilities	<u>75,234,852</u>	<u>70,779,961</u>	<u>3,285,869</u>	<u>3,955,757</u>	<u>78,520,721</u>	<u>74,735,718</u>
Net Position						
Investment in capital assets (net of related debt)	23,154,083	29,242,293	622,772	601,714	23,776,855	29,844,007
Restricted	9,313,549	2,823,333	(1,585,789)	(1,809,649)	7,727,760	1,013,684
Unrestricted	<u>(5,265,488)</u>	<u>(7,214,882)</u>	<u>(174,093)</u>	<u>-</u>	<u>(5,439,581)</u>	<u>(7,214,882)</u>
Total Net Position	<u>\$ 27,202,144</u>	<u>\$ 24,850,744</u>	<u>\$ (1,137,110)</u>	<u>\$ (1,207,935)</u>	<u>\$ 26,065,034</u>	<u>\$ 23,642,809</u>

The following table presents changes in net position for the fiscal years ended June 30, 2025 and June 30, 2024.

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
REVENUES						
Program revenues						
Charges for services	\$ 23,549	\$ 73,851	\$ 208,996	\$ 175,623	\$ 232,545	\$ 249,474
Operating grants and contributions	5,347,840	8,989,794	3,671,909	3,404,709	9,019,749	12,394,503
Capital grants	53,699	57,020			53,699	57,020
General revenues						
Property taxes	6,745,696	6,390,163			6,745,696	6,390,163
Motor vehicle taxes	1,028,500	1,041,088			1,028,500	1,041,088
Utility Taxes	1,402,657	1,354,747			1,402,657	1,354,747
Other taxes	56,012	135,881			56,012	135,881
Investment earnings	741,058	877,697	29,164	42,206	770,222	919,903
State and formula grants	26,201,894	23,711,806			26,201,894	23,711,806
Miscellaneous	1,176,596	1,762,368	(264,826)	(242,523)	911,770	1,519,845
Total revenues	<u>42,777,501</u>	<u>44,394,415</u>	<u>3,645,243</u>	<u>3,380,015</u>	<u>46,422,744</u>	<u>47,774,430</u>
EXPENSES						
Program Activities						
Instructional	23,037,560	22,508,714			23,037,560	22,508,714
Student support	2,061,767	1,860,038			2,061,767	1,860,038
Instructional staff Support	1,721,069	1,689,171			1,721,069	1,689,171
District administrative support	1,093,999	986,677			1,093,999	986,677
School administrative support	1,735,771	1,701,743			1,735,771	1,701,743
Business support	980,189	1,085,267			980,189	1,085,267
Plant operations and maintenance	4,112,543	3,591,447			4,112,543	3,591,447
Student transportation	3,199,306	3,139,919			3,199,306	3,139,919
Community service activities	619,184	486,689			619,184	486,689
Other	46,636	0			46,636	0
Interest costs	1,879,103	1,662,040			1,879,103	1,662,040
Business-type Activities						
Food service			3,574,418	3,409,297	3,574,418	3,409,297
Total expenses	<u>40,487,127</u>	<u>38,711,705</u>	<u>3,574,418</u>	<u>3,409,297</u>	<u>44,061,545</u>	<u>42,121,002</u>
Increase (decrease) in net position	<u>\$ 2,290,374</u>	<u>\$ 5,682,710</u>	<u>\$ 70,825</u>	<u>\$ (29,282)</u>	<u>\$ 2,361,199</u>	<u>\$ 5,653,428</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2025 and 2024 were \$9,467,354 and \$8,176,047 respectively.

Total revenue for the District decreased \$1,351,686 and expenses increased \$1,940,543.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 57% of total expenses, support services equate to 37%, and interest and other expenses make up the remaining 6% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Instructional	\$ 23,037,560	\$ 22,508,714	\$ 19,697,218	\$ 17,717,429
Support Services	14,904,644	14,054,262	13,478,156	10,371,498
Other	665,820	486,689	61,261	(102,907)
Interest Costs	<u>1,879,103</u>	<u>1,662,040</u>	<u>1,825,404</u>	<u>1,605,020</u>
Total Expenses	<u>\$ 40,487,127</u>	<u>\$ 38,711,705</u>	<u>\$ 35,062,039</u>	<u>\$ 29,591,040</u>

Business-Type Activities

The business type activity at the District consists of Food Service. This program had total revenues of \$3,910,565 and expenses of \$3,839,740 for fiscal year 2025. These revenues were made up of \$208,996 charges for services, \$3,671,909 federal and state operating grants, and \$29,164 earnings on investments. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2025 was \$42,505,393 and expenditures were \$45,819,085.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$20,081,020 with actual results being \$33,305,576. Budgeted expenditures were \$28,981,020 compared to actual expenditures of \$32,571,877. The most significant cause of the variance between budget and actual revenue were the state on-behalf payments in the amount of \$9,467,354. The most significant cause of the expenditures being over budget was the state on-behalf payments noted above. On-behalf payments were not budgeted.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2025-2026 with an approximate 2% contingency.

Significant Board action that impacts the finances includes the Board’s salary schedules which were increased by 6% for all certified staff and classified staff for the 2025-2026 year. This raise was funded by the increase in the SEEK base. Overall, student average daily attendance remains steady, but the increase in the SEEK base per pupil amount results in an expected increase in overall SEEK funding for FY2026.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2025 fiscal year, the District had invested, net of depreciation, \$76,308,758 in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$1,872,367. Depreciation expense for the year was \$2,997,104, capital additions were \$4,869,471 and capital dispositions, net of depreciation, were \$0.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,033,505	\$1,033,505	\$ -	\$ -	\$ 1,033,505	\$ 1,033,505
Construction in Progress	2,556,175	2,027,644			2,556,175	2,027,644
Land Improvements	1,545,426	1,662,470	-	-	1,545,426	1,662,470
Buildings and Improvements	65,817,807	64,414,907	415,892	436,221	66,233,699	64,851,128
Technology	7,387	7,387	-	-	7,387	7,387
Vehicles	2,839,939	2,669,947	50,460	58,291	2,890,399	2,758,238
General Equipment	1,885,747	1,988,817	156,420	107,202	2,042,167	2,096,019
Total	\$75,685,986	\$73,834,677	\$ 622,772	\$ 601,714	\$ 76,308,758	\$ 74,436,391

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
Beginning Balance	\$ 73,834,677	\$ 60,485,422	\$ 601,714	\$ 606,122	\$ 74,436,391	\$ 61,091,544
Additions	4,813,475	16,224,786	55,996	29,577	4,869,471	16,254,363
Retirements	0	890	0	0	0	890
Depreciation	(2,962,166)	(2,876,421)	(34,938)	(33,985)	(2,997,104)	(2,910,406)
Ending Balance	\$ 75,685,986	\$ 73,834,677	\$ 622,772	\$ 601,714	\$ 76,308,758	\$ 74,436,391

Long-Term Debt

The District made scheduled bond principal payments in the amount of \$2,205,000. The District issued new revenue bonds in the amount of \$10,475,000 during the 2024-25 fiscal year. The District did not have any capital lease obligations for the 2025-25 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (270) 343-3191.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	19,707,551	445,379	20,152,930
Accounts Receivable:			
Taxes - Current	315,357		315,357
Taxes - Delinquent	18,545		18,545
Accounts	114,251	174,092	288,343
Prepaid Expenses	25,000		25,000
Intergovernmental - State	68,921		68,921
Intergovernmental - Federal	366,518		366,518
Inventories for Consumption		68,259	68,259
Total Current Assets	<u>20,616,143</u>	<u>687,730</u>	<u>21,303,873</u>
Noncurrent Assets			
Right to Use Assets - Net of Amortization	111,896		111,896
Net CERS OPEB Asset	221,682	59,641	281,323
Non-Depreciable Capital Assets - Note F	3,589,680		3,589,680
Depreciable Capital Assets - Net of Accumulated Depreciation - Note F	<u>72,096,306</u>	<u>622,772</u>	<u>72,719,078</u>
Total Noncurrent Assets	<u>76,019,564</u>	<u>682,413</u>	<u>76,701,977</u>
TOTAL ASSETS	<u><u>96,635,707</u></u>	<u><u>1,370,143</u></u>	<u><u>98,005,850</u></u>
Deferred Outflows Related to Other Post Employment Benefits	3,573,816	214,312	3,788,128
Deferred Outflows Related to Pensions	2,102,259	564,304	2,666,563
Deferred Outflows Related to Bond Refundings	<u>125,214</u>		<u>125,214</u>
TOTAL DEFERRED OUTFLOWS	<u><u>5,801,289</u></u>	<u><u>778,616</u></u>	<u><u>6,579,905</u></u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>102,436,996</u></u>	<u><u>2,148,759</u></u>	<u><u>104,585,755</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	797,850	36,985	834,835
Accrued Salaries & Compensated Absences - Note A & R	91,408		91,408
Advances from Grantors	928,333		928,333
Lease Obligation - Note Q	38,959		38,959
Bond Obligations - Note E	2,390,000		2,390,000
Accrued Interest Payable	<u>587,299</u>		<u>587,299</u>
Total Current Liabilities	<u>4,833,849</u>	<u>36,985</u>	<u>4,870,834</u>
Noncurrent Liabilities:			
Bond Obligations - Note E	50,140,069		50,140,069
Lease Obligation - Note Q	74,771		74,771
Net Pension Liability	7,663,587	2,057,771	9,721,358
Net Other Post Employment Benefits Liability	4,177,000		4,177,000
Compensated Absences - Note A & R	<u>763,708</u>		<u>763,708</u>
Total Noncurrent Liabilities	<u>62,819,135</u>	<u>2,057,771</u>	<u>64,876,906</u>
TOTAL LIABILITIES	<u><u>67,652,984</u></u>	<u><u>2,094,756</u></u>	<u><u>69,747,740</u></u>
Deferred Inflows Related to Other Post Employment Benefits	5,662,519	674,909	6,337,428
Deferred Inflows Related to Pensions	<u>1,919,349</u>	<u>516,204</u>	<u>2,435,553</u>
TOTAL DEFERRED INFLOWS	<u><u>7,581,868</u></u>	<u><u>1,191,113</u></u>	<u><u>8,772,981</u></u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>75,234,852</u></u>	<u><u>3,285,869</u></u>	<u><u>78,520,721</u></u>
NET POSITION:			
Net Investment in Capital Assets	23,154,083	622,772	23,776,855
Restricted for:			
Capital Projects	8,519,340		8,519,340
Grants	4,574		4,574
Student Activities	329,709	(1,585,789)	(1,256,080)
SFCC Escrow	459,926		459,926
Food Service			0
Unrestricted	<u>(5,265,488)</u>	<u>(174,093)</u>	<u>(5,439,581)</u>
TOTAL NET POSITION	<u><u>27,202,144</u></u>	<u><u>(1,137,110)</u></u>	<u><u>26,065,034</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u><u>102,436,996</u></u>	<u><u>2,148,759</u></u>	<u><u>104,585,755</u></u>

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	23,037,560		3,340,342		(19,697,218)		(19,697,218)
Support Services:							
Student Support Services	2,061,767		77,645		(1,984,122)		(1,984,122)
Staff Support Services	1,721,069		917,828		(803,241)		(803,241)
District Administration	1,093,999				(1,093,999)		(1,093,999)
School Administration	1,735,771				(1,735,771)		(1,735,771)
Business Support Services	980,189				(980,189)		(980,189)
Plant Operation & Maintenance	4,112,543		315,702		(3,796,841)		(3,796,841)
Student Transportation	3,199,306	23,549	91,764		(3,083,993)		(3,083,993)
Community Service Operations	619,184		604,559		(14,625)		(14,625)
Facility Acquisition & Construction	46,636				(46,636)		(46,636)
Interest on Long-Term Debt	1,879,103			53,699	(1,825,404)		(1,825,404)
TOTAL GOVERNMENTAL ACTIVITIES	40,487,127	23,549	5,347,840	53,699	(35,062,039)		(35,062,039)
BUSINESS-TYPE ACTIVITIES:							
Food Service	3,574,418	208,996	3,671,909			306,487	306,487
TOTAL BUSINESS-TYPE ACTIVITIES	3,574,418	208,996	3,671,909	0	0	306,487	306,487
TOTAL SCHOOL DISTRICT	44,061,545	232,545	9,019,749	53,699	(35,062,039)	306,487	(34,755,552)
GENERAL REVENUES:							
Taxes:							
Property					6,745,696		6,745,696
Motor Vehicle					1,028,500		1,028,500
Utility					1,402,657		1,402,657
Other					56,012		56,012
State Aid - Formula Grants					26,201,894		26,201,894
Investment Earnings					741,058	29,164	770,222
Miscellaneous					904,489		904,489
Funds Transfer (Expense)					265,322	(265,322)	0
Gain(Loss) Sale of Assets					6,785	496	7,281
TOTAL GENERAL & TRANSFERS					37,352,413	(235,662)	37,116,751
CHANGE IN NET POSITION					2,290,374	70,825	2,361,199
NET POSITION - BEGINNING - AS RESTATED					24,911,770	(1,207,935)	23,703,835
NET POSITION - ENDING					27,202,144	(1,137,110)	26,065,034

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	9,438,353	613,780	8,862,473	792,945	19,707,551
Prepaid Expenses	25,000				25,000
Accounts Receivable:					
Taxes - Current	315,357				315,357
Taxes - Delinquent	18,545				18,545
Accounts	84,415	29,836			114,251
Interfund Receivable	106,316				106,316
Intergovernmental - State	-	68,921			68,921
Intergovernmental - Federal	-	366,518			366,518
TOTAL ASSETS	<u>9,987,986</u>	<u>1,079,055</u>	<u>8,862,473</u>	<u>792,945</u>	<u>20,722,459</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	411,575	39,832	343,133	3,310	797,850
Accrued Salaires & Benefits					-
Interfund Payable		106,316			106,316
Advances From Grantors		928,333			928,333
Total Liabilities	<u>411,575</u>	<u>1,074,481</u>	<u>343,133</u>	<u>3,310</u>	<u>1,832,499</u>
Fund Balance:					
Non-Spendable					
Prepaid Expense	25,000				25,000
Restricted for:					
Capital Projects			8,519,340		8,519,340
SFCC Escrow				459,926	459,926
School Activiies				329,709	329,709
Grants		4,574			4,574
Assigned for:					
Purchase Obligations	2,875,844				2,875,844
Unassigned Fund Balance	6,675,567				6,675,567
Total Fund Balance	<u>9,576,411</u>	<u>4,574</u>	<u>8,519,340</u>	<u>789,635</u>	<u>18,889,960</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>9,987,986</u>	<u>1,079,055</u>	<u>8,862,473</u>	<u>792,945</u>	<u>20,722,459</u>

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

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

TOTAL GOVERNMENTAL FUND BALANCE		18,889,960
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	117,388,630	
Accumulated Depreciation	<u>(41,702,644)</u>	75,685,986
Right to Use Asset - Net of Amortization		111,896
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		
		125,214
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		
		2,102,259
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		
		3,573,816
Long-term liabilities (including bonds payable) 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 consist of:		
Bonds Payable	(53,160,000)	
Accrued Interest on Bonds	(587,299)	
Unamortized Bond Premiums	(10,222)	
Unamortized Bond Discounts	640,153	
Lease Obligation	(113,730)	
Net Pension Liability	(7,663,587)	
Net Other Post Employment Benefits Liability	(3,955,318)	
Accrued Sick Leave	<u>(855,116)</u>	(65,705,119)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		(5,662,519)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		
		<u>(1,919,349)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>27,202,144</u></u>

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	4,411,771			2,333,925	6,745,696
Motor Vehicle	1,028,500				1,028,500
Utility	1,402,657				1,402,657
Other	56,012				56,012
Earnings on Investments	518,920	10,069	212,069		741,058
Intergovernmental - State	23,250,207	1,530,044		3,005,386	27,785,637
Intergovernmental - Federal	597,570	3,220,225			3,817,795
Other Sources	462,460	118,335		347,243	928,038
TOTAL REVENUES	31,728,097	4,878,673	212,069	5,686,554	42,505,393
EXPENDITURES:					
Instructional	19,169,791	3,089,613		296,034	22,555,438
Support Services:					
Student Support Services	2,073,318	71,817			2,145,135
Staff Support Services	911,623	848,935			1,760,558
District Administration	1,104,526				1,104,526
School Administration	1,811,368				1,811,368
Business Support Services	1,012,569				1,012,569
Plant Operation & Maintenance	3,027,412	292,005			3,319,417
Student Transportation	3,336,826	84,876			3,421,702
Community Service Operations	62,745	559,180			621,925
Facilities Acquisition & Construction			4,268,671		4,268,671
Debt Service:					
Principal				2,205,000	2,205,000
Interest				1,592,776	1,592,776
TOTAL EXPENDITURES	32,510,178	4,946,426	4,268,671	4,093,810	45,819,085
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(782,081)	(67,753)	(4,056,602)	1,592,744	(3,313,692)
OTHER FINANCING SOURCES(USES):					
Proceeds from Sale of Bonds			10,475,000		10,475,000
Discount on Issuance of Bonds			(209,500)		(209,500)
Proceeds from Sale of Assets	6,785				6,785
Operating Transfers In - Note M	1,570,694	61,699		3,751,501	5,383,894
Operating Transfers Out - Note M	(61,699)			(5,056,873)	(5,118,572)
TOTAL OTHER FINANCING SOURCES	1,515,780	61,699	10,265,500	(1,305,372)	10,537,607
NET CHANGE IN FUND BALANCES	733,699	(6,054)	6,208,898	287,372	7,223,915
FUND BALANCES - BEGINNING	8,842,712	10,628	2,310,442	502,263	11,666,045
FUND BALANCES - ENDING	9,576,411	4,574	8,519,340	789,635	18,889,960

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

NET CHANGES - GOVERNMENTAL FUNDS		7,223,915
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(2,962,166)	
Capital Outlays	<u>4,813,475</u>	1,851,309
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Proceeds from Bond Issuance	(10,265,500)	
Principal Paid	2,205,000	
Lease Obligations Paid	<u>35,516</u>	(8,024,984)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflow on Bond Refundings	(100,160)	
Amortization - Bond Premiums	4,718	
Amortization - Bond Discounts	(31,148)	
District Pension Contributions	838,402	
Cost of Benefits Earned Net of Employee Contributions	(445,479)	
District Other Post Employment Benefits Contributions	461,552	
Cost of Benefits Earned Net of Employee Contributions - OPEB	687,875	
Accrued Interest Payable	(146,713)	
Amorization Right of Use Assets	(39,094)	
Accrued Sick Leave	<u>10,181</u>	
		<u>1,240,134</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>2,290,374</u></u>

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	ENTERPRISE FUND
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	445,379
Accounts Receivable	174,092
Inventories for Consumption	68,259
Total Current Assets	687,730
Noncurrent Assets:	
Net OPEB Benefit	59,641
Furniture & Equipment	2,162,658
Less: Accumulated Depreciation	(1,539,886)
Total Noncurrent Assets	682,413
TOTAL ASSETS	1,370,143
Deferred Outflows Related to Other Post Employment Benefits	214,312
Deferred Outflows Related to Pensions	564,304
TOTAL ASSETS AND DEFERRED OUTFLOWS	2,148,759
LIABILITIES:	
Current Liabilities:	
Account Payable	36,985
Total Current Liabilities	36,985
Noncurrent Liabilities:	
Net Pension Liability	2,057,771
Total Noncurrent Liabilities	2,057,771
TOTAL LIABILITIES	2,094,756
Deferred Inflows Related to Other Post Employment Benefits	674,909
Deferred Inflows Related to Pensions	516,204
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,285,869
Net Position:	
Net Investment in Capital Assets	622,772
Restricted	(1,585,789)
Unassigned Fund Balance	(174,093)
Total Net Position	(1,137,110)
TOTAL LIABILITIES AND NET POSITION	2,148,759

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	ENTERPRISE FUND
	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	208,899
Other Operating Revenues	97
TOTAL OPERATING REVENUES	208,996
OPERATING EXPENSES:	
Salaries & Benefits	1,406,294
Contract Services	69,535
Materials & Supplies	2,029,420
Other Operating Expenses	34,231
Depreciation - Note F	34,938
TOTAL OPERATING EXPENSES	3,574,418
OPERATING INCOME(LOSS)	(3,365,422)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	3,124,477
State Grants	331,624
Donated Commodities	215,808
Interest Income	29,164
Sale of Equipment	496
Transfer Out to General Fund	(265,322)
TOTAL NONOPERATING REVENUE	3,436,247
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	70,825
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	70,825
TOTAL NET POSITION - BEGINNING	(1,207,935)
TOTAL NET POSITION - ENDING	(1,137,110)

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	208,899
Other Activities	97
Cash Paid to/for:	
Employees	(1,365,527)
Supplies	(1,817,653)
Other Activities	(103,766)
Net Cash Provided (Used) by Operating Activities	(3,077,950)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer out to General Fund	(265,322)
Federal Grants	3,191,557
State Grants	28,114
Net Cash Provided by Non-Capital and Related Financing Activities	2,954,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(55,996)
Proceeds from Sale of Fixed Assets	496
Receipt of Interest Income	29,164
Net Cash Provided (Used) by Investing Activities	(26,336)
Net Increase (Decrease) in Cash and Cash Equivalents	(149,937)
Balances, Beginning of Year	595,316
Balances, End of Year	445,379
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(3,365,422)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	34,938
State On-Behalf Payments	303,510
Donated Commodities	215,808
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	413,954
Deferred Inflows	(301,600)
Net Pension Liability	(367,711)
Net Other Post Employment Benefits Liability	(7,386)
Inventory	(3,464)
Accounts Payable	(577)
Net Cash Provided (Used) by Operating Activities	(3,077,950)
Schedule of Non-Cash Transactions:	
Donated Commodities	215,808
State On-Behalf Payments	303,510

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	SCHOLARSHIP FUND
ASSETS:	
Cash and Cash Equivalents	2,042
TOTAL ASSETS	2,042
LIABILITIES:	
Scholarships Payable	-
TOTAL LIABILITIES	-
NET POSITION HELD IN TRUST	2,042

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Scholarship Funds Contributed	1,914
DEDUCTIONS:	
Benefits Paid	<u>2,000</u>
Changes in Net Position	(86)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>2,128</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>2,042</u></u>

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Russell County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Russell County Board of Education (“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. 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 and account groups relevant to the operation of the Russell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Russell County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Russell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

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 primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the 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 and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Private Purpose Trust Fund)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

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

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$0.501 per \$100 valuation for real property, \$0.511 per \$100 valuation for business personal property, and \$0.522 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Description	Governmental Activities 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

Interfund Balances

On fund financial statements, receivables and payable 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.

Accumulated Unpaid Compensated Absences

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Major Special Revenue Fund

Special Revenue

Revenue Source

State, Local and Federal Grants

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pensions

Teachers' Retirement System - 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 Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

County Employees Retirement System - 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 County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by 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.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by 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, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Changes in Accounting Principle

Effective July 1, 2024 the District adopted Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures*. GASB 101 enhances the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB 102 provides users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Adoption of the provisions related GASB 102 did not have a material impact on the District's financial statements. GASB 101 requires retrospective application, see Note S for restatement of beginning net position.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$20,154,972. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging bank's trust department. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2025, consisted of the following:

	Bank Balance	Book Balance
First National Bank	<u>22,005,426</u>	<u>20,154,972</u>
Breakdown per financial statements:		
Governmental Funds		19,707,551
Proprietary Funds		<u>445,379</u>
Subtotal		20,152,930
Fiduciary Funds		<u>2,042</u>
Total Cash and Cash Equivalents All Funds		<u>20,154,972</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – INVESTMENTS

The District held no investments on June 30, 2025.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Russell County School District Finance Corporation in the original amount aggregating \$63,660,000.

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

2011	5,940,000	1.00% - 3.50%
2014	10,875,000	2.00% - 4.00%
2015	1,640,000	2.50% - 3.50%
2015 Refunding	2,060,000	2.00% - 2.50%
2016 Refunding	5,395,000	2.00% - 2.25%
2019	11,060,000	3.00% - 3.75%
2023	12,240,000	4.00% - 4.125%
2023 Second Series	3,975,000	3.50% - 4.125%
2025	10,475,000	4.00% - 4.250%

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Russell County 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 "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (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 maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2025, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2025-26	2,390,000	1,940,636	160,770	4,169,866
2026-27	2,435,000	1,886,956	153,772	4,168,184
2027-28	2,475,000	1,822,251	127,228	4,170,023
2028-29	2,450,000	1,760,344	127,227	4,083,117
2029-30	2,545,000	1,679,418	136,336	4,088,082
2030-31	2,625,000	1,593,408	135,606	4,082,802
2031-32	2,715,000	1,503,031	135,659	4,082,372
2032-33	2,810,000	1,408,806	135,846	4,082,960
2033-34	2,915,000	1,303,025	135,677	4,082,348
2034-35	2,700,000	1,192,101	135,277	3,756,824
2035-36	2,735,000	1,088,819	133,846	3,689,973
2036-37	2,840,000	983,170	133,667	3,689,503
2037-38	2,950,000	872,169	133,533	3,688,636
2038-39	3,065,000	756,882	132,438	3,689,444
2039-40	2,765,000	637,094	-	3,402,094
2040-41	2,870,000	526,494	-	3,396,494
2041-42	2,985,000	410,756	-	3,395,756
2042-43	2,880,000	288,219	-	3,168,219
2043-44	2,225,000	169,419	-	2,394,419
2044-45	1,785,000	75,863	-	1,860,863
	<u>53,160,000</u>	<u>21,898,856</u>	<u>1,916,882</u>	<u>73,141,974</u>

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	44,890,000	10,475,000	2,205,000	53,160,000	2,390,000
Add: Bond Premium	14,940	0	4,718	10,222	4,718
Less: Bond Discount	<u>(461,801)</u>	<u>(209,500)</u>	<u>(31,148)</u>	<u>(640,153)</u>	<u>(37,259)</u>
Net Revenue Bonds Payable	44,443,139	10,265,500	2,178,570	52,530,069	2,357,459
Lease Obligation	149,245	0	35,515	113,730	38,959
Net Pension Liability	9,030,360	0	1,366,773	7,663,587	0
Net OPEB Liability	4,961,000	0	784,000	4,177,000	0
Compensated Absences					
Restated	<u>865,297</u>	<u>102,715</u>	<u>112,896</u>	<u>855,116</u>	<u>91,408</u>
Total Governmental Activities:	59,449,041	10,368,215	4,477,754	65,339,502	2,487,826
Proprietary Activities:					
Net Pension Liability	<u>2,389,799</u>	<u>0</u>	<u>332,028</u>	<u>2,057,771</u>	<u>0</u>
Long-Term Liabilities	<u>61,838,840</u>	<u>10,368,215</u>	<u>4,809,782</u>	<u>67,397,273</u>	<u>2,487,826</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	1,033,505			1,033,505
Construction in Process	2,027,644	4,222,035	(3,693,504)	2,556,175
Depreciable Assets:				
Land Improvements	3,764,421			3,764,421
Buildings & Building Improvements	94,437,801	62,091	3,693,504	98,193,396
Technology Equipment	893,772		17,795	875,977
Vehicles	7,208,440	456,700		7,665,140
General Equipment	3,227,367	72,649		3,300,016
TOTAL AT HISTORICAL COST	112,592,950	4,813,475	17,795	117,388,630
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	2,101,951	117,044		2,218,995
Buildings & Building Improvements	30,022,894	2,352,695		32,375,589
Technology Equipment	886,385		17,795	868,590
Vehicles	4,508,493	316,708		4,825,201
General Equipment	1,238,550	175,719		1,414,269
TOTAL ACCUMULATED DEPRECIATION	38,758,273	2,962,166	17,795	41,702,644
GOVERNMENTAL ACTIVITIES CAPITAL NET	73,834,677	1,851,309	-	75,685,986
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Buildings & Improvements	1,026,343			1,026,343
Technology Equipment	28,409			28,409
Vehicles	68,732			68,732
General Equipment	983,178	55,996		1,039,174
TOTALS AT HISTORICAL COST	2,106,662	55,996	-	2,162,658
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Improvements	590,122	20,329		610,451
Technology Equipment	28,409			28,409
Vehicles	10,441	7,831		18,272
General Equipment	875,976	6,778		882,754
TOTAL ACCUMULATED DEPRECIATION	1,504,948	34,938	-	1,539,886
PROPRIETARY ACTIVITIES CAPITAL NET	601,714	21,058	-	622,772
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				1,739,683
Plant Operation & Maintenance				907,075
Student Transportation				315,408
TOTAL				2,962,166

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). University members contribute 10.40% of salary to the retirement system. Non-university members contribute 12.855% of salary to the retirement system. Member contributions are picked up by the employer.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. 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.

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

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2025, the District reported a liability of \$9,721,358 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth 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 CERS net pension liability	\$ 9,721,358
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>59,820,337</u>
	<u>\$ 69,541,695</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.162553 percent.

For the year ended June 30, 2025, the District recognized pension expense of \$565,330 related to CERS and \$3,888,130 related to TRS. The District also recognized revenue of \$3,888,130 for TRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 470,532	\$ -
Changes of assumptions	-	439,215
Net difference between projected and actual earnings on pension plan investments	667,639	1,292,670
Changes in proportion and differences between District contributions and proportionate share of contributions	464,430	703,668
District contributions subsequent to the measurement date	<u>1,063,962</u>	<u>-</u>
Total	<u>\$ 2,666,563</u>	<u>\$ 2,435,553</u>

\$1,063,962 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2026	(360,944)
2027	(92,444)
2028	(240,269)
2029	(139,295)
2030	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	3.66%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.75%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	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 on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was increased from 2.5 percent to 2.75 percent. 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.

For TRS, 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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Large Cap U.S. Equity	35.40%	5.0%
Small Cap U.S. Equity	2.60%	5.5%
Developed International Equity	15.70%	5.5%
Emerging Markets Equity	5.30%	6.1%
Fixed Income	15.00%	1.9%
High Yield Bonds	2.00%	3.8%
Other Additional Categories	8.00%	3.6%
Real Estate	7.00%	3.2%
Private Equity	7.00%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Discount rate - For TRS, The discount rate used to measure the TPL as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. 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.

County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used was the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale base year of 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. 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 return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.0%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Discount rate—For CERS, projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	12,532,419	9,721,358	7,388,918
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	0	0	0

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

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

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

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.0%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2025, the Russell County District reported a liability of \$4,177,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, 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 to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .1874 percent, compared to .3706 percent at June 30, 2023.

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	\$ 4,177,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,722,000</u>
Total	<u>\$ 7,899,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$242,511 and revenue of \$346,700 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,254,000
Changes of assumptions	1,064,000	-
Net difference between projected and actual earnings on pension plan investments	-	134,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,251,000	1,766,000
District contributions subsequent to the measurement date	<u>461,552</u>	<u>-</u>
Total	<u><u>2,776,552</u></u>	<u><u>3,154,000</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$461,552 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, 2025. 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ended June 30:	
2026	\$ (335,000)
2027	(11,000)
2028	(30,000)
2029	(209,000)
2030	(214,000)
Thereafter	(40,000)

Actuarial assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5392% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.94%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

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 remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2024 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S Large Cap Equity	35.4%	5.0%
U.S. Small Cap	2.6%	5.5%
Developed Int'l Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash (LIBOR)	1.00%	1.6%
	100.00%	

Discount rate (SEIR)- The discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, 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 rate:

	1% Decrease	Current Discount Rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	5,550,000	4,177,000	3,040,000

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

	1% Decrease	Current Discount Rate	1% Increase
TRS	6.1%	7.1%	8.1%
District's proportionate share of net OPEB liability	2,822,000	4,177,000	5,862,000

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Life Insurance Plan

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

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

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

At June 30, 2025, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	-0-
State’s proportionate share of the net OPEB liability associated with the District	<u>67,000</u>
Total	<u>\$ 67,000</u>

Actuarial assumptions – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

The long-term expected rate of return on Health Trust and Life Trust 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	40.00%	5.2%
International Equity	15.00%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.00%	1.9%
Real Estate	7.00%	3.2%
Private Equity	5.00%	8.0%
Additional Categories	5.00%	4.0%
Cash (LIBOR)	2.00%	1.6%
	100.00%	

Discount rate (SEIR) - 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 was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2022.

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

County Employees’ Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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 CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Russell County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – Due to the CERS post-retirement healthcare benefit plan being fully funded the requirement for employers to contribute as a percent of gross annual payroll was suspended for the year ended June 30, 2025.

At June 30, 2025, the Russell County District reported an asset of \$281,323 for its proportionate share of the collective net OPEB asset that reflected a reduction for state OPEB support provided to the District. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the collective net OPEB asset was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District’s proportion was .162633 percent, compared to .178526 percent at June 30, 2023.

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 benefit	\$ 281,323
State’s proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 281,323</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$740,718. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 156,075	\$ 2,213,456
Changes of assumptions	254,912	198,503
Net difference between projected and actual earnings on pension plan investments	247,290	504,014
Changes in proportion and differences between District contributions and proportionate share of contributions	277,040	267,455
District contributions subsequent to the measurement date	<u>76,259</u>	<u>-</u>
Total	<u><u>1,011,576</u></u>	<u><u>3,183,428</u></u>

from the following sources:

Of the total amount reported as deferred outflows of resources related to OPEB, \$76,259 resulting from District contributions of \$0 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$76,259, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2026	\$ (894,067)
2027	(691,944)
2028	(600,177)
2029	(61,923)
2030	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost 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 12 years
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity		
Core Bonds	10.00%	2.85%
Special Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.0%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return		7.19%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Discount rate - The discount rate used to measure the total OPEB liability was 5.99%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	380,380	(281,323)	(837,684)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	(676,829)	(281,323)	179,413

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	61,699
Operating	Capital Outlay	General	Operating	270,022
Operating	Building	General	Operating	1,035,350
Operating	School Activity	District Activity	Operating	118,065
Operating	Building	Debt Service	Debt Service	<u>3,633,436</u>
		Subtotal Governmental Funds Transferred		5,118,572
Operating	Food Service	General	Indirect Costs	<u>265,322</u>
		Total Funds Transfer		<u>5,383,894</u>

NOTE N – SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 30, 2026. There are no material subsequent events to disclose.

NOTE O – INTERFUND BALANCES

The balance of \$106,316 due to the General Fund from the Special Revenue Fund resulted from loans made to cover operating cash deficits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2025, \$9,467,354 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$3,888,130
Teachers Retirement System (GASB 75)	357,078
Health Insurance	5,098,906
Life Insurance	5,734
Administrative Fee	45,792
HRA/Dental/Vision	150,938
Federal Reimbursement	(308,494)
Technology	64,930
SFCC Debt Service Payments	<u>164,340</u>
Total	<u>\$9,467,354</u>

NOTE Q – LEASE LIABILITIES

The District is committed under two noncancellable leases for copiers. The total lease liability measured at present value is \$195,470. The ending liability balance at June 30, 2025 is \$113,730. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the equipment at the end of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

Year	Principal	Interest
2026	38,959	9,581
2027	42,741	5,799
2028	26,647	2,066
2029	<u>5,383</u>	<u>143</u>
Total	<u>113,730</u>	<u>17,589</u>

The following assets and amortization have been recognized.

Right of Use Asset – Copiers	\$ 195,470
Accumulated Amortization	<u>(83,574)</u>
Net Ending Balance	<u>111,896</u>

NOTE R – EMPLOYEE COMPENSATED ABSENCES

The liability for compensated absences is recorded in the government-wide financial statements. For governmental funds, the liability is recorded only when it has matured due to employee resignation or retirement. The following table shows the changes in the compensated absences liability:

	Current Portion	Long-Term Portion	Total
Beginning Balance - Restated	78,085	787,212	865,297
Net Increase (Decrease)	<u>13,323</u>	<u>(23,504)</u>	<u>(10,181)</u>
Ending Balance	<u>91,408</u>	<u>763,708</u>	<u>855,116</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities was increased by \$61,026 due to the impact of the implementation of GASB 101. Below are the details of the restatement:

	Government Activities
Net Position June 30, 2024	\$ 24,850,744
GASB 101 Retrospective Application	<u>61,026</u>
Beginning Net Position, As Restated	\$ <u>24,911,770</u>

REQUIRED SUPPLEMENTARY
INFORMATION

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	5,320,000	5,320,000	6,898,940	1,578,940
Other Local Sources	208,236	208,236	981,380	773,144
State Sources	14,157,784	14,157,784	23,250,207	9,092,423
Federal Sources	395,000	395,000	597,570	202,570
Other Sources	-	-	1,577,479	1,577,479
TOTAL REVENUES	20,081,020	20,081,020	33,305,576	13,224,556
EXPENDITURES:				
Instructional	11,506,490	11,506,490	19,169,791	(7,663,301)
Student Support Services	1,869,548	1,869,548	2,073,318	(203,770)
Staff Support Services	498,552	498,552	911,623	(413,071)
District Administration	5,624,679	5,624,679	1,104,526	4,520,153
School Administration	1,435,763	1,435,763	1,811,368	(375,605)
Business Support Services	1,103,823	1,103,823	1,012,569	91,254
Plant Operation & Maintenance	3,159,660	3,159,660	3,027,412	132,248
Student Transportation	3,782,505	3,782,505	3,336,826	445,679
Other	-	-	124,444	(124,444)
TOTAL EXPENDITURES	28,981,020	28,981,020	32,571,877	(3,590,857)
NET CHANGE IN FUND BALANCE	(8,900,000)	(8,900,000)	733,699	9,633,699
FUND BALANCES - BEGINNING	8,900,000	8,900,000	8,842,712	(57,288)
FUND BALANCES - ENDING	-	-	9,576,411	9,576,411

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	-	-	10,069	10,069
State Sources	1,574,855	1,574,855	1,530,044	(44,811)
Federal Sources	2,816,402	2,816,402	3,220,225	403,823
Other Sources	-	-	180,034	180,034
TOTAL REVENUES	<u>4,391,257</u>	<u>4,391,257</u>	<u>4,940,372</u>	<u>549,115</u>
EXPENDITURES:				
Instructional	3,345,512	3,345,512	3,089,613	255,899
Student Support Services	54,824	54,824	71,817	(16,993)
Staff Support Services	254,038	254,038	848,935	(594,897)
Business Support Services	-	-	-	-
Plant Operation & Maintenance	260,908	260,908	292,005	(31,097)
Student Transportation	33,875	33,875	84,876	(51,001)
Community Service Operations	442,100	442,100	559,180	(117,080)
Other	-	-	-	-
TOTAL EXPENDITURES	<u>4,391,257</u>	<u>4,391,257</u>	<u>4,946,426</u>	<u>(555,169)</u>
NET CHANGE IN FUND BALANCE	-	-	(6,054)	(6,054)
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>10,628</u>	<u>-</u>
FUND BALANCES - ENDING	<u>-</u>	<u>-</u>	<u>4,574</u>	<u>(6,054)</u>
			0	

See accompanying auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>90,918,931</u>	<u>115,962,859</u>	<u>108,585,308</u>	<u>51,135,659</u>	<u>51,271,192</u>
TOTAL	<u>90,918,931</u>	<u>115,962,859</u>	<u>108,585,308</u>	<u>51,135,659</u>	<u>51,271,192</u>
District's covered-employee payroll	13,375,782	13,511,655	13,205,093	12,932,180	12,821,415
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	44.70%	57.04%	39.80%	59.30%	58.80%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability					
State of Kentucky's share of the net pension liability associated with the district	<u>50,961,920</u>	<u>46,239,908</u>	<u>62,171,364</u>	<u>65,581,445</u>	<u>59,820,377</u>
TOTAL	<u>50,961,920</u>	<u>46,239,908</u>	<u>62,171,364</u>	<u>65,581,445</u>	<u>59,820,377</u>
District's covered-employee payroll	13,069,186	13,628,031	14,512,232	14,960,368	15,385,061
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	65.59%	56.41%	57.70%	60.36%

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of net pension liability	0.159254%	0.160200%	0.167396%	0.165852%	0.163778%
District's proportionate share of the net pension liability	6,847,176	7,889,354	9,798,203	10,100,892	11,518,580
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-
TOTAL	<u><u>6,847,176</u></u>	<u><u>7,889,354</u></u>	<u><u>9,798,203</u></u>	<u><u>10,100,892</u></u>	<u><u>11,518,580</u></u>
District's covered-employee payroll	3,816,206	4,047,540	4,064,722	4,090,433	4,061,170
District's proportionate share of the net pension liability as a percentage of its covered-payroll	179.42%	194.92%	241.05%	246.94%	283.63%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	55.50%	53.30%	53.54%	50.45%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
District's proportion of net pension liability	0.157774%	0.161529%	0.156142%	0.156142%	0.162553%
District's proportionate share of the net pension liability	12,101,135	10,298,741	11,287,526	11,455,842	9,721,358
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-
TOTAL	<u><u>12,101,135</u></u>	<u><u>10,298,741</u></u>	<u><u>11,287,526</u></u>	<u><u>11,455,842</u></u>	<u><u>9,721,358</u></u>
District's covered-employee payroll	4,142,855	4,322,680	5,202,858	5,148,045	5,398,077
District's proportionate share of the net pension liability as a percentage of its covered-payroll	292.09%	238.25%	216.95%	222.53%	180.09%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%	57.48%	61.61%

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,375,782	\$ 13,511,655	\$ 13,205,093	\$ 12,932,180	\$ 12,821,415
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,069,185	\$ 13,628,031	\$ 14,512,232	\$ 14,960,368	\$ 15,385,061
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ 473,973	\$ 564,632	\$ 588,572	\$ 663,468	\$ 783,806
Contributions in relation to the actuarially determined contributions	<u>473,973</u>	<u>564,632</u>	<u>588,572</u>	<u>663,468</u>	<u>783,806</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,816,206	\$ 4,047,540	\$ 4,064,722	\$ 4,090,433	\$ 4,061,170
Contributions as a percentage of Covered employee payroll	12.42%	13.95%	14.48%	16.22%	19.30%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ 799,571	\$ 915,111	\$ 1,217,469	\$ 1,201,557	\$ 1,063,962
Contributions in relation to the actuarially determined contributions	<u>799,571</u>	<u>915,111</u>	<u>1,217,469</u>	<u>1,201,557</u>	<u>1,063,962</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,142,855	\$ 4,322,680	\$ 5,202,858	\$ 5,148,045	\$ 5,398,077
Contributions as a percentage of Covered employee payroll	19.30%	21.17%	23.40%	23.34%	19.71%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.167396%	0.165886%	0.163743%	0.157729%	0.161491%
District's proportionate share of the net OPEB liability	3,365,232	2,945,273	2,754,084	3,808,677	3,091,665
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u><u>3,365,232</u></u>	<u><u>2,945,273</u></u>	<u><u>2,754,084</u></u>	<u><u>3,808,677</u></u>	<u><u>3,091,665</u></u>
District's covered-employee payroll	4,064,722	4,090,433	4,061,170	4,142,855	4,322,680
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	82.79%	72.00%	67.82%	91.93%	71.52%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
District's proportion of net OPEB liability	0.156236%	0.178526%	0.162633%		
District's proportionate share of the net OPEB liability	3,083,339	(246,485)	(281,323)		
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-		
TOTAL	<u><u>3,083,339</u></u>	<u><u>(246,485)</u></u>	<u><u>(281,323)</u></u>		
District's covered-employee payroll	5,202,858	5,148,045	5,398,077		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	59.26%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	104.23%	104.89%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.2142%	0.2033%	0.2021%	0.1946%	0.1927%
District's proportionate share of the net OPEB liability	7,637,000	7,054,000	5,916,000	4,912,000	4,105,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>6,239,000</u>	<u>6,079,000</u>	<u>4,778,000</u>	<u>3,935,000</u>	<u>3,333,000</u>
TOTAL	<u>13,876,000</u>	<u>13,133,000</u>	<u>10,694,000</u>	<u>8,847,000</u>	<u>7,438,000</u>
District's covered-employee payroll	\$ 13,205,093	\$ 12,932,180	\$ 12,821,415	\$ 13,069,185	\$ 13,628,031
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.83%	54.55%	46.14%	37.58%	30.12%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
District's proportion of net OPEB liability	0.3502%	0.3706%	0.1874%		
District's proportionate share of the net OPEB liability	6,637,000	4,961,000	4,177,000		
State of Kentucky's share of the net OPEB liability associated with the district	<u>2,180,000</u>	<u>4,182,000</u>	<u>3,722,000</u>		
TOTAL	<u>8,817,000</u>	<u>9,143,000</u>	<u>7,899,000</u>		
District's covered-employee payroll	\$ 14,512,232	\$ 14,960,368	\$ 15,385,061		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	45.73%	33.16%	27.15%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	53.00%	59.81%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>84,000</u>	<u>104,000</u>	<u>111,000</u>	<u>119,000</u>	<u>44,000</u>
TOTAL	<u>84,000</u>	<u>104,000</u>	<u>111,000</u>	<u>119,000</u>	<u>44,000</u>
District's covered-employee payroll	\$ 13,205,093	\$ 12,932,180	\$ 12,821,415	\$ 13,069,185	\$ 13,628,031
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%		
District's proportionate share of the net OPEB liability	-	-	-		
State of Kentucky's share of the net OPEB liability associated with the district	<u>108,000</u>	<u>103,000</u>	<u>67,000</u>		
TOTAL	<u>108,000</u>	<u>103,000</u>	<u>67,000</u>		
District's covered-employee payroll	\$ 14,512,232	\$ 14,960,368	\$ 15,385,061		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	76.90%	80.56%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 396,153	\$ 387,965	\$ 384,642	\$ 392,076	\$ 408,841
Contributions in relation to the actuarially determined contributions	<u>396,153</u>	<u>387,965</u>	<u>384,642</u>	<u>392,076</u>	<u>408,841</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,205,093	\$ 12,932,180	\$ 12,821,415	\$ 13,069,185	\$ 13,628,031
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 444,367	\$ 448,811	\$ 461,552		
Contributions in relation to the actuarially determined contributions	<u>444,367</u>	<u>448,811</u>	<u>461,552</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 14,512,232	\$ 14,960,368	\$ 15,385,061		
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,205,093	\$ 12,932,180	\$ 12,821,415	\$ 13,069,185	\$ 13,628,031
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 14,512,232	\$ 14,960,368	\$ 15,385,061		
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 191,042	\$ 215,157	\$ 193,312	\$ 197,200	\$ 249,851
Contributions in relation to the actuarially determined contributions	<u>191,042</u>	<u>215,157</u>	<u>193,312</u>	<u>197,200</u>	<u>249,851</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 4,064,722	\$ 4,090,433	\$ 4,061,170	\$ 4,142,855	\$ 4,322,680
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 176,377	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	<u>176,377</u>	<u>-</u>	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 5,202,858	\$ 5,148,045	\$ 5,398,077		
Contributions as a percentage of Covered employee payroll	3.39%	0.00%	0.00%		

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

In the 2016 valuation, 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%.

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

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

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

In the 2021, 2022, 2023 and 2024 there were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

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

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

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

The projected salary increase was changed to 3.3-11.5% from 3.05%

RUSSELL COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2021, 2022, 2023 and 2024

There were no changes of assumptions for these years.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-10.30 percent, varies by service
Investment Rate of Return	6.50 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS non-hazardous pensions.

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

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.

2022

There were no changes in assumptions.

2023

There were no changes in assumptions

2024

The health care trend rates, as well as the morbidity factors, were updated to reflect future anticipated experience.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022

The Initial trend rate for Pre-65 was changes to 6.20% and for Post-65 the change was to 9.00%.

2023

The Initial trend rate for Pre-65 was changes to 6.30% and for Post-65 the change was to 6.3%.

2024

There were no changes in assumptions.

RUSSELL COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2024:

Valuation Date	June 30, 2022
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30%-10.30%, varies by service
Investment Rate of Return	6.25 %
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost 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 12 years.
Post - 65	Initial trend starting at 9.00 % at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS, non-hazardous OPEB.

**OTHER SUPPLEMENTARY
INFORMATION**

RUSSELL COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2025

	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:						
Cash & Cash Equivalents		25,452	307,567	459,926		792,945
Accounts Receivable						-
TOTAL ASSETS	-	25,452	307,567	459,926	-	792,945
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable		2,662	648			3,310
Total Liabilities	-	2,662	648	-	-	3,310
Fund Balances:						
Restricted for:						
SFCC Escrow				459,926		459,926
School Activities		22,790	306,919	-		329,709
Total Fund Balances	-	22,790	306,919	459,926	-	789,635
TOTAL LIABILITIES AND FUND BALANCES	-	25,452	307,567	459,926	-	792,945

RUSSELL COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:						
Taxes - Property	-	-	-	2,333,925	-	2,333,925
Other	-	11,582	335,661	-	-	347,243
Intergovernmental - State	270,022	-	-	2,571,024	164,340	3,005,386
TOTAL REVENUES	270,022	11,582	335,661	4,904,949	164,340	5,686,554
EXPENDITURES:						
Instructional	-	123,241	172,793	-	-	296,034
Debt Service						
Principal	-	-	-	-	2,205,000	2,205,000
Intrest	-	-	-	-	1,592,776	1,592,776
TOTAL EXPENDITURES	-	123,241	172,793	-	3,797,776	4,093,810
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	270,022	(111,659)	162,868	4,904,949	(3,633,436)	1,592,744
OTHER FINANCING SOURCES(USES):						
Operating Transfers In	-	118,065	-	-	3,633,436	3,751,501
Operating Transfers Out	(270,022)	-	(118,065)	(4,668,786)	-	(5,056,873)
TOTAL OTHER FINANCING SOURCES(USES)	(270,022)	118,065	(118,065)	(4,668,786)	3,633,436	(1,305,372)
NET CHANGE IN FUND BALANCES	-	6,406	44,803	236,163	-	287,372
FUND BALANCES - BEGINNING	-	16,384	262,116	223,763	-	502,263
FUND BALANCES - ENDING	-	22,790	306,919	459,926	-	789,635

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 STUDENT ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	FUND BALANCE JULY 1, 2024	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2025
Russell Springs Elementary	42,148	4,024	4,587	41,585
Jamestown Elementary	17,836	12,619	17,070	13,385
Salem Elementary	25,257	11,772	13,820	23,209
Russell County Middle School	33,032	82,434	68,257	47,209
Russell County High School	143,843	224,812	214,854	153,801
Prior Year Accounts Payable			(27,730)	27,730
Russell County High School	<u>143,843</u>	<u>224,812</u>	<u>187,124</u>	<u>181,531</u>
Total Activity Funds (Due to Student Groups)	<u><u>262,116</u></u>	<u><u>335,661</u></u>	<u><u>290,858</u></u>	<u><u>306,919</u></u>

See independent accountant's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	CASH BALANCE JULY 1, 2024	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2025	ACCOUNTS RECEIVABLE JUNE 30, 2025	ACCOUNTS PAYABLE JUNE 30, 2025	FUND BALANCE JUNE 30, 2025
Academic Team	84	-	-	84			84
Agriculture (Shop)	2,140	-	-	2,140			2,140
Art Club	1,348	360	227	1,481			1,481
Athletic	17,272	116,341	99,088	34,525			34,525
B.O.S.S.	857	-	-	857			857
Cooking Club	1,608	4,018	2,716	2,910			2,910
Dance Team	1,946	3,640	2,634	2,952			2,952
DECA	10,414	5,092	6,283	9,223			9,223
Drama	4,870	-	-	4,870			4,870
FCA	925	-	-	925			925
FFA	28,456	20,720	24,875	24,301			24,301
Flower & Gift Fund	1,833	1,172	2,481	524			524
Forensic Science	279	-	-	279			279
Horticulture	10,523	3,466	3,228	10,761			10,761
Library	2,984	-	-	2,984			2,984
Miscellaneous / General	2,102	19,398	17,984	3,516		544	2,972
ROTC	46,664	12,040	15,865	42,839			42,839
Senior Explorer Club	205	17,635	16,937	903			903
World Language	-	-	-	-			0
Spirit Club	181	-	-	181			181
Pride Club	165	-	-	165			165
Teacher Coke Commissions	68	124	92	100			100
Tech Education	-	-	-	-			0
True Crime Club	409	429	554	284			284
Educators Rising	10,041	3,820	4,263	9,598			9,598
TSA-Tech Student	8,257	4,097	5,586	6,768			6,768
WLKR	1,863	1,504	2,521	846			846
Y-Club	766	3,372	1,037	3,101			3,101
Yearbook	14,779	5,415	6,971	13,223			13,223
Nat Tech Honors	-	2,448	1,247	1,201			1,201
Youth Service Center	534	-	-	534			534
Total All Funds	171,573	225,091	214,589	182,075	0	544	181,531
Interfund Transfers	0	(279)	(279)	0	0	0	0
Total	171,573	224,812	214,310	182,075	0	544	181,531

RUSSELL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL ALN NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Parent Involvement	84.010	3100002-24		7,283
Title I - Grants to Local Educational Agencies	84.010	3100002-24		850,495
Title I - Grants to Local Educational Agencies	84.010	3100002-25		764,432
Title I Total				<u>1,622,210</u>
IDEA - Special Education - Grants to State	84.027	3810002-24		285,977
IDEA - Special Education - Grants to State	84.027	3810002-25		455,775
Special Education Total				<u>741,752</u>
Title III - Limited English Proficiency	84.365	3300002-24		15,385
Title III - Limited English Proficiency	84.365	3300002-25		28,388
Title III Total				<u>43,773</u>
Perkins Voc.	84.048	3710002-24		4,175
Perkins Voc.	84.048	3710002-25		24,915
Total Perkins Voc.				<u>29,090</u>
Supporting Effective Instruction State Grant	84.367	3400002		172,089
Impact Aid	84.410	Direct		257,835
Covid-19 Elementary and Secondary School Emergency Relief Fund	84.425U	4000002		270,407
Title IV - Rural and Low Income Schools	84.358	3140002-24		107,410
Title IV - Rural and Low Income Schools	84.358	3140002-25		27,384
Title IV - Rural and Low Income Schools Total				<u>134,794</u>
Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002-24		44,158
Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002-25		40,582
Title IV - Rural and Low Income Schools Total				<u>84,740</u>
Total U.S. Department of Education				<u>3,356,690</u>
<u>U.S. Environmental Protection Agency</u>				
Passed-Through State Department of Education				
DERA State Program	66.040	Unkown		33,875
<u>U.S. Department of Labor</u>				
Passed-Through Wilderness Education Project				
Apprenticeship USA Grants	17.285	570J		81,360
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
School Breakfast Program	10.553	7760005-24		142,514
School Breakfast Program	10.553	7760005-25		711,880
National School Lunchroom	10.555	7750002-24		302,599
National School Lunchroom	10.555	7750002-25		1,503,451
Summer Feeding	10.559	7740023-24		478,930
Summer Feeding	10.559	7690024-24		48,989
Summer Feeding	10.559	7690024-25		243
Summer Feeding	10.559	7740023-25		2,372
Child Nutrition Cluster Total				<u>3,190,978</u>
State Administrative Expense Funds	10.560	7700001-23		9,149
Pass-Through State Department of Agriculture				
Food Distribution	10.565	057502-10		215,808
Total U.S. Department of Agriculture				<u>3,415,935</u>
Total Federal Financial Assistance				<u><u>6,887,860</u></u>

RUSSELL COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Russell County School District under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Russell County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Russell County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the 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 present where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 15 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

RUSSELL COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

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

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

Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
10,553/10.555/10.559 84.027/84.173	Child Nutrition Cluster Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

RUSSELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2025

There were no prior year audit findings.

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

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January 30, 2026

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

Members of the Board of Education
Russell County School District
Jamestown, KY 42629

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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Russell County School District's basic financial statements, and have issued our report thereon dated January 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Russell County School 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 Russell County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Russell County School District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Russell County School 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 material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Purpose of this Report

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

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

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January 30, 2026

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

Members of the Board of Education
Russell County School District
Jamestown, KY 42629

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Russell County School District's 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 Russell County School District's major federal programs for the year ended June 30, 2025. Russell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Russell County School 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Russell County School 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 Russell County School 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 Russell County School District's federal programs.

Auditor's Responsibility 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 Russell County School 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 Russell County School 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 Russell County School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Russell County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Russell County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

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January 30, 2026

MANAGEMENT LETTER

Members of the Board of Education
Russell County School District
Jamestown, KY 42629

In planning and performing our audit of the financial statements of Russell County School District for the year ended June 30, 2025, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendation - District:

None.

Prior Year Recommendations – School Activity Funds:

2024-1: Prior Year Recommendation:

During FY24's testing, there were two instances at Russell County Middle School of purchases occurring prior to the issuance of an approved purchase order. I recommend that all school personnel be informed that an approved purchase order must be received prior to all purchases.

Current Year Status and Recommendations:

No such instances noted during current year testing.

2024-2: Prior Year Recommendation:

During FY24's testing, one instance was noted at Russell County High School where the multiple receipt form was missing the bookkeeper's signature. I recommend that it be emphasized to the school staff that sponsor/teach and bookkeeper signatures must be on the form.

Current Year Status and Recommendations:

No such instances noted during current year testing.

Current Year Recommendation – School Activity Funds:

None

Current Year Recommendation - District:

2025-1: Current Year Recommendation:

During current year's testing, multiple instances were noted of credit card charges occurring prior to the issuance of an approved purchase order or exceeding the approved purchase order amount. We recommend that an approved purchase order be issued prior to incurring charges to the District. Additionally, we recommend that should a purchase price exceed the approved purchase order a secondary approval be obtained.

Management's Response:

Our District's purchasing policies support your recommendations. We will reiterate with all personnel the proper purchasing procedures, with an emphasis on credit card purchasing.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

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January 30, 2026

Members of the Board of Education

Russell County School District

Jamestown, KY 42629

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Russell County School District are described in Note A to the financial statements. The district implemented GASB No. 101, *Compensated Absences*, and GASB No. 102, *Certain Risk Disclosures*. We noted no transactions entered into by Russell County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the compensated absences liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Russell County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Russell County School District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Russell County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants