

**RUSSELL INDEPENDENT  
SCHOOL DISTRICT**

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

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

As described in Note 14 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 10 and the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015, on our consideration of Russell Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Gallaway Smith Gorkel, PSC*

October 14, 2015  
Ashland, Kentucky

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

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

**FINANCIAL HIGHLIGHTS**

- The General Fund ending cash balance for the District increased from \$3.23 million at June 30, 2014 to \$3.77 million at June 30, 2015. The increase is due to utility, property and motor vehicle tax collections well above budget, Supporting Educational Excellence in Kentucky (SEEK) increase due to student enrollment increase, and utility expenditures below budget. SEEK is the Commonwealth of Kentucky's funding mechanism for public schools. It is based primarily on average daily attendance and is the primary source of funding for all of Kentucky's public schools.
- The General fund had \$19.52 million in revenue, of which 65.98% consisted of state funding (SEEK program and on-behalf payments for insurance and retirement) and 32.63% in property, utilities and motor vehicle taxes. Expenditures totaled \$18.99 million (including on-behalf payments) for the General Fund. Salaries and wages were 83.96% of total General Fund expenditures. The District continues to lead our region in certified staff (teacher) wages, which allows us to impact our children with highly-skilled professionals. This is reflected in the excellence of our test scores. For 2014-2015, we ranked 9<sup>th</sup> of 173 districts in test score performance. Also, for the same period, our average certified teacher wage was \$53,552, or 8<sup>th</sup> of 173 districts. The state-wide teacher average was \$51,635.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education (KDE) stringent compliance regulations. The District made \$860,190 in bond payments during the 2014-2015 year. Bond payments are made from local tax collections (46.02%) and state funding (53.98%). The School Facilities Construction Commission of the state of Kentucky also either assists or fully pays certain outstanding debt. This totaled \$357,302 for the fiscal year. The total bonded debt service attributed to the District during 2014-2015 was \$1,247,968.
- The average daily attendance (ADA) drives our portion of SEEK and is the largest source of revenue for the District. The Commonwealth of Kentucky only pays for half of the kindergarten students who attend, although, Russell Independent has full day instruction for those children. The District was funded based upon 1,975.31 students for 2014-2015 school year, the average attendance increased to 2,010.37 per day. This was the first increase in ADA since 2008-2009 and will be a positive impact on the 2015-2016 budget.
- During the 2012-2013 year, the Food Service program suffered a significant operational loss due to changes made by the Healthy, Hunger-Free Kids Act. The 2013-2014 year showed some improvement in participation. Our cash loss for 2012-2013 exceeded \$60,000. For 2013-2014, the net cash loss was just under \$13,000. During 2014-2015, we improved our cash position by \$34,774. The District is encouraged by the changes made in the cafeterias to meet the needs of children and be compliant with the new regulations.
- The District elected to begin a renovation of the Russell Area Technology Center during 2014-2015. The renovation will add a new health services classroom, renovated business classrooms, renovated bathrooms, new roof, new heating and air service, enclosed breezeway to make transition to classes from the rear of the building sheltered and climate controlled, and new corridor lighting. The renovation will be in excess of \$1 million and is financed by remaining balances from former District projects and funding from Kentucky Department of Education.

The bonded portion of the project will be completely funded by the School Facilities Construction Commission.

- The financial statements include payments made by the Commonwealth of Kentucky for retirement, bond payments, health insurance, life insurance, administrative fees, technology and utilization of the Russell Area Vocational School by our students. The total amount was \$5.21 and \$3.29 million for the 2015 and 2014 fiscal years, respectively. The increase is due to additional contributions for retirement benefits. These amounts are shown as both revenue and expenses in the financial statements, and therefore, do not affect the fund position of the District.

## OVERVIEW OF FINANCIAL STATEMENTS

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

The basic governmental fund financial statements can be found on pages 13 through 23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 41 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$9.3 and \$8.2 million as of June 30, 2015 and 2014, respectively.

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

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

**Net Position comparison for the periods ending June 30, 2015 and 2014**

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

	<u>June 30, 2015</u>	<u>Restated June 30, 2014</u>
Current Assets	\$ 5,608,649	\$ 4,156,283
Noncurrent Assets	20,757,766	21,050,975
Total Assets	<u>\$ 26,366,415</u>	<u>\$ 25,207,258</u>
Deferred outflows of resources	<u>\$ 485,797</u>	<u>\$ 501,548</u>
Current Liabilities	\$ 1,490,076	\$ 1,491,075
Noncurrent Liabilities	15,715,918	16,013,102
Total Liabilities	<u>17,205,994</u>	<u>17,504,177</u>
Deferred inflows of resources	<u>\$ 366,000</u>	<u>\$ -</u>
Net Position		
Investment in capital assets (net of debt)	7,845,976	8,482,889
Restricted	776,105	(93,234)
Unrestricted	658,137	(185,026)
Total Net Position	<u>\$ 9,280,218</u>	<u>\$ 8,204,629</u>

The overall net position for 2015 as compared to 2014 increased by \$1,075,589, or 13.1%, due primarily to aforementioned revenue increases and expense reductions, and, the receipt of bond proceeds for the Technology Center renovation in June 2015.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2015, with comparison to 2014.

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 7,943,705	\$ 7,344,687
State Revenue Sources	14,570,439	12,211,932
Federal Revenue	1,524,277	1,442,610
Other Sources	(9,360)	623
Total Revenues	<u>24,029,061</u>	<u>20,999,852</u>
<b>Expenses:</b>		
Instruction	13,343,715	11,180,581
Student Support Services	992,857	733,311
Instructional Support	1,677,377	1,544,509
District Administration	840,959	781,417
School Administration	1,021,905	1,095,868
Plant Operations	2,098,327	2,230,318
Student Transportation	780,635	791,908
Business and Other Support Services	250,644	231,738

Community Services	114,545	128,138
Debt Service	480,411	466,297
Food Service	1,111,036	1,106,191
Child Care Fund	241,061	188,121
Total Expenses	<u>22,953,472</u>	<u>20,478,397</u>
Revenues in Excess of Expenses	<u>\$ 1,075,589</u>	<u>\$ 521,455</u>

## FUND FINANCIAL ANALYSIS

The District's total General Fund revenues for 2015 exceeded budgeted revenues by \$.6 million, or 3.74%, both net of on-behalf payments. Actual General Fund expenditures, excluding the contingency reserve and on-behalf payments, were approximately \$12,000, or .08% greater than budgeted.

Of the total General Fund expenditures, indicated for 2015 and 2014, respectively; site-based councils and student support expended 75.0% and 69.5%, 10.3% and 14.5% was spent for maintenance and operations, 5.4% and 5.9% on special needs students. 4.8% and 5.7% on administration, and 4.5% and 4.4% on transportation.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014 for selected funds (including on-behalf payments):

	<u>June 30, 2015</u>					
<b>Revenues:</b>	General Fund	Special Revenue	Capital Projects	Food Service	Child Care Funds	Total
Local revenue sources	\$ 6,411,191	\$ 95,932	\$ 797,397	\$ 414,891	\$ 224,294	\$ 7,943,705
State revenue sources	11,136,869	648,052	906,798	65,299	23,872	12,780,890
Federal revenue	-	912,170	-	612,107	-	1,524,277
Other sources	179,068	52,407	1,038,498	-	-	1,269,973
Total Revenues	<u>17,727,128</u>	<u>1,708,561</u>	<u>2,742,693</u>	<u>1,092,297</u>	<u>248,166</u>	<u>23,518,845</u>
<b>Expenses:</b>						
Instruction	10,052,931	1,012,228	-	-	-	11,065,159
Student support services	742,398	-	259,224	-	-	1,001,622
Instructional support	1,259,130	427,068	-	-	-	1,686,198
District administration	823,964	-	-	-	-	823,964
School administration	1,028,818	-	-	-	-	1,028,818
Business support	252,292	-	-	-	-	252,292
Plant operations	1,962,402	150,074	-	-	-	2,112,476
Student transportation	900,789	13,606	-	-	-	914,395
Community support	8,960	105,585	-	-	-	114,545
Food services	43,704	-	-	1,067,332	-	1,111,036
Child care services	-	-	-	-	241,061	241,061
Facilities acquisition and construction	-	-	293,924	-	-	293,924
Debt service	51,761	-	1,247,969	-	-	1,299,730
Transfers	65,905	-	-	-	-	65,905
Total expenses	<u>17,193,054</u>	<u>1,708,561</u>	<u>1,801,117</u>	<u>1,067,332</u>	<u>241,061</u>	<u>22,011,125</u>
Revenues over (under) expenses	<u>\$ 534,074</u>	<u>\$ -</u>	<u>\$ 941,576</u>	<u>\$ 24,965</u>	<u>\$ 7,105</u>	<u>\$ 1,507,720</u>

June 30, 2014

<b>Revenues:</b>	General Fund	Special Revenue	Capital Projects	Food Service	Child Care Funds	Total
Local revenue sources	\$ 6,321,315	\$ 92,666	\$ 395,290	\$ 383,864	\$ 151,552	\$ 7,344,687
State revenue sources	10,783,305	451,919	886,582	69,623	20,503	12,211,932
Federal revenue	-	863,791	-	578,819	-	1,442,610
Other sources	42,682	36,986	601,912	-	-	681,580
<b>Total Revenues</b>	<u>17,147,302</u>	<u>1,445,362</u>	<u>1,883,784</u>	<u>1,032,306</u>	<u>172,055</u>	<u>21,680,809</u>
<b>Expenses:</b>						
Instruction	9,707,850	920,635	-	-	-	10,628,485
Student support services	733,071	-	-	-	-	733,071
Instructional support	1,147,439	397,070	-	-	-	1,544,509
District administration	760,812	-	-	-	-	760,812
School administration	1,092,248	-	-	-	-	1,092,248
Business support	231,518	-	-	-	-	231,518
Plant operations	2,015,524	10,548	-	-	-	2,026,072
Student transportation	752,590	10,755	-	-	-	763,345
Community support	21,784	106,354	-	-	-	128,138
Food services	36,869	-	-	1,069,322	-	1,106,191
Child care services	-	-	-	-	188,121	188,121
Facilities acquisition and construction	-	-	412,495	-	-	412,495
Debt service	60,323	-	1,248,057	-	-	1,308,380
Transfers	638,898	-	-	-	42,018	680,916
<b>Total expenses</b>	<u>17,198,926</u>	<u>1,445,362</u>	<u>1,660,552</u>	<u>1,069,322</u>	<u>230,139</u>	<u>21,604,301</u>
Revenues over (under) expenses	<u>\$ (51,624)</u>	<u>\$ -</u>	<u>\$ 223,232</u>	<u>\$ (37,016)</u>	<u>\$ (58,084)</u>	<u>\$ 76,508</u>

**BUDGETARY IMPLICATIONS FOR 2015-2015**

In Kentucky, the public school fiscal year is July 1 - June 30; however, federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District anticipates adoption of a budget for 2015 well in excess of the minimum. The Commonwealth of Kentucky legislated pay raises for staff in both the 2014-2015 and 2015-2016 fiscal years. The funding increases are not enough to cover all costs that are part of the legislation. Apparently, the Commonwealth is depending on local tax collections to fund the salary mandate. To fund legislated salary increases, the Board will elect to increase the local tax rate for the 2015-2016 school year.

The District does not anticipate any shortfall or contingency issues during the 2015-2016 school year, or beyond. Management will continue to be diligent in conservative spending, with a complete focus on what is best for children and the ability to recruit and maintain the very best professional staff afforded to our area.

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

Questions regarding this report should be directed to Superintendent M. Sean Horne or to Dennis C. Chambers, CPA, Chief Finance Officer at (606) 836-9679, e-mail at [sean.horne@russellind.kyschools.us](mailto:sean.horne@russellind.kyschools.us) or [dennis.chambers@russellind.kyschools.us](mailto:dennis.chambers@russellind.kyschools.us), or by mail at 409 Belfont Street, Russell, Kentucky 41169.

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,228,718	\$ 102,464	\$ 5,331,182
Receivables (net of allowances for uncollectibles):			
Property taxes	130,881	-	130,881
Other	5,854	345	6,199
Intergovernmental - federal	130,799	-	130,799
Inventories	-	9,588	9,588
Capital assets, not being depreciated	596,842	-	596,842
Capital assets, being depreciated, net	20,045,212	115,712	20,160,924
Total assets	<u>26,138,306</u>	<u>228,109</u>	<u>26,366,415</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	55,284	-	55,284
Deferred pension contributions	360,230	70,283	430,513
Total deferred outflows of resources	<u>415,514</u>	<u>70,283</u>	<u>485,797</u>
<b>Liabilities</b>			
Accounts payable	203,792	57	203,849
Accrued payroll and employee benefits	112,396	-	112,396
Deferred revenue	180,183	-	180,183
Noncurrent liabilities:			
Net pension liability	2,747,035	535,965	3,283,000
Portion due or payable within one year:			
Bond obligations	880,000	-	880,000
Notes payable	113,648	-	113,648
Portion due or payable after one year:			
Bond obligations	11,655,000	-	11,655,000
Notes payable	455,121	-	455,121
Accrued sick leave	322,797	-	322,797
Total liabilities	<u>16,669,972</u>	<u>536,022</u>	<u>17,205,994</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension investment earnings	306,249	59,751	366,000
Total deferred inflows of resources	<u>306,249</u>	<u>59,751</u>	<u>366,000</u>
<b>Net Position</b>			
Net investment in capital assets	7,730,264	115,712	7,845,976
Restricted for:			
Capital projects	1,189,198	-	1,189,198
Other purposes	-	(413,093)	(413,093)
Unrestricted	658,137	-	658,137
Total net position	<u>\$ 9,577,599</u>	<u>\$ (297,381)</u>	<u>\$ 9,280,218</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 13,343,715	\$ 17,828	\$ 952,559	\$ -	\$ (12,373,328)	\$ -	\$ (12,373,328)
Support services:							
Students	992,857	-	-	-	(992,857)	-	(992,857)
Instructional staff	1,677,377	-	427,068	-	(1,250,309)	-	(1,250,309)
District administration	840,959	-	-	-	(840,959)	-	(840,959)
School administration	1,021,905	-	-	-	(1,021,905)	-	(1,021,905)
Business and other support services	250,644	-	-	-	(250,644)	-	(250,644)
Operation and maintenance of plant	2,098,327	-	150,074	-	(1,948,253)	-	(1,948,253)
Student transportation	780,635	-	13,606	-	(767,029)	-	(767,029)
Food service operations	43,704	-	-	-	(43,704)	-	(43,704)
Community services	114,545	-	105,585	-	(8,960)	-	(8,960)
Debt service	480,411	-	-	906,798	426,387	-	426,387
Total governmental activities	<u>21,645,079</u>	<u>17,828</u>	<u>1,648,892</u>	<u>906,798</u>	<u>(19,071,561)</u>	<u>-</u>	<u>(19,071,561)</u>
Business-type activities:							
Food service	1,067,332	414,891	677,406	-	-	24,965	24,965
Child care fund	241,061	224,294	23,872	-	-	7,105	7,105
Total business-type activities	<u>1,308,393</u>	<u>639,185</u>	<u>701,278</u>	<u>-</u>	<u>-</u>	<u>32,070</u>	<u>32,070</u>
Total primary government	<u>\$ 22,953,472</u>	<u>\$ 657,013</u>	<u>\$ 2,350,170</u>	<u>\$ 906,798</u>	<u>\$ (19,071,561)</u>	<u>\$ 32,070</u>	<u>\$ (19,039,491)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 5,200,830	\$ -	\$ 5,200,830
Motor vehicle					580,544	-	580,544
Utilities					993,755	-	993,755
Intergovernmental revenues:							
State					12,926,418	-	12,926,418
Investment earnings					14,747	-	14,747
Loss on disposal of capital assets					(9,360)	-	(9,360)
Other local revenues					408,146	-	408,146
Total general revenues					<u>20,115,080</u>	<u>-</u>	<u>20,115,080</u>
Change in net position					1,043,519	32,070	1,075,589
Net position, June 30, 2014, as restated					<u>8,534,080</u>	<u>(329,451)</u>	<u>8,204,629</u>
Net position, June 30, 2015					<u>\$ 9,577,599</u>	<u>\$ (297,381)</u>	<u>\$ 9,280,218</u>

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

RUSSELL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,774,517	\$ 51,971	\$ 1,150,439	\$ 251,791	\$ 5,228,718
Receivables (net of allowances for uncollectibles):					
Taxes - current	124,060	-	-	-	124,060
Taxes - delinquent	6,821	-	-	-	6,821
Other	325	-	-	5,529	5,854
Intergovernmental - Federal	-	130,799	-	-	130,799
Total assets	<u>\$ 3,905,723</u>	<u>\$ 182,770</u>	<u>\$ 1,150,439</u>	<u>\$ 257,320</u>	<u>\$ 5,496,252</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 110,959	\$ 2,587	\$ 63,742	\$ 26,504	\$ 203,792
Accrued payroll and employee benefits	112,396	-	-	-	112,396
Due to other funds	-	-	-	-	-
Deferred revenue	-	180,183	-	-	180,183
Total liabilities	<u>223,355</u>	<u>182,770</u>	<u>63,742</u>	<u>26,504</u>	<u>496,371</u>
<b>Fund balances:</b>					
Restricted	-	-	1,086,697	102,501	1,189,198
Committed	84,671	-	-	128,315	212,986
Assigned	161,398	-	-	-	161,398
Unassigned	3,436,299	-	-	-	3,436,299
Total fund balances	<u>3,682,368</u>	<u>-</u>	<u>1,086,697</u>	<u>230,816</u>	<u>4,999,881</u>
Total liabilities and fund balances	<u>\$ 3,905,723</u>	<u>\$ 182,770</u>	<u>\$ 1,150,439</u>	<u>\$ 257,320</u>	<u>\$ 5,496,252</u>

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

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

Fund balances—total governmental funds	\$	4,999,881
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		20,642,054
Savings from refunding bonds are not available to pay current period expenditures and therefore, are not reported in the governmental funds.		55,284
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:		
Deferred pension investment earnings	(306,249)	
Deferred pension contributions	<u>360,230</u>	53,981
Some liabilities, including bonds payable, notes payable, net pension liability and accrued sick leave are not due and payable in the current period and therefore, are not reported in the governmental funds.		<u>(16,173,601)</u>
Net position of governmental activities	\$	<u><u>9,577,599</u></u>

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

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 4,790,973	\$ -	\$ -	\$ 409,857	\$ 5,200,830
Motor vehicles	580,544	-	-	-	580,544
Utilities	993,755	-	-	-	993,755
Tuition and fees	10,566	7,262	-	-	17,828
Interest income	14,746	-	1	-	14,747
Other local revenues	20,607	88,670	-	387,539	496,816
Intergovernmental - State	11,136,869	648,052	-	906,798	12,691,719
Intergovernmental - Indirect federal	-	854,930	-	-	854,930
Intergovernmental - Direct federal	-	57,240	-	-	57,240
Total revenues	<u>17,548,060</u>	<u>1,656,154</u>	<u>1</u>	<u>1,704,194</u>	<u>20,908,409</u>
Expenditures:					
Current:					
Instruction	10,052,931	1,012,228	-	-	11,065,159
Support services:					
Students	742,398	-	-	259,224	1,001,622
Instructional staff	1,259,130	427,068	-	-	1,686,198
District administration	823,964	-	-	-	823,964
School administration	1,028,818	-	-	-	1,028,818
Business and other support services	252,292	-	-	-	252,292
Operation and maintenance of plant	1,962,402	150,074	-	-	2,112,476
Student transportation	900,789	13,606	-	-	914,395
Food service operation	43,704	-	-	-	43,704
Community services	8,960	105,585	-	-	114,545
Facilities acquisition and construction	-	-	293,924	-	293,924
Debt service	51,761	-	-	1,247,969	1,299,730
Total expenditures	<u>17,127,149</u>	<u>1,708,561</u>	<u>293,924</u>	<u>1,507,193</u>	<u>20,636,827</u>
Excess (deficiency) of revenues over expenditures	<u>420,911</u>	<u>(52,407)</u>	<u>(293,923)</u>	<u>197,001</u>	<u>271,582</u>
Other financing sources (uses):					
Proceeds from sale of equipment	174	-	-	-	174
Proceeds from capital lease	178,894	-	-	-	178,894
Proceeds from bond issuance	-	-	1,025,000	-	1,025,000
Transfers in	-	52,407	51,148	890,667	994,222
Transfers out	(65,905)	-	-	(928,317)	(994,222)
Total other financing sources and uses	<u>113,163</u>	<u>52,407</u>	<u>1,076,148</u>	<u>(37,650)</u>	<u>1,204,068</u>
Net change in fund balances	534,074	-	782,225	159,351	1,475,650
Fund balances, June 30, 2014	<u>3,148,294</u>	<u>-</u>	<u>304,472</u>	<u>71,465</u>	<u>3,524,231</u>
Fund balances, June 30, 2015	<u>\$ 3,682,368</u>	<u>\$ -</u>	<u>\$ 1,086,697</u>	<u>\$ 230,816</u>	<u>\$ 4,999,881</u>

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

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

Net change in fund balances - total governmental funds \$ 1,475,650

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

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

Capital outlay	705,549	
Net book value of assets sold	(9,534)	
Depreciation expense	<u>(965,216)</u>	(269,201)

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

KTRS on-behalf revenue	1,789,549	
KTRS on-behalf pension expense	(1,789,549)	
CERS contributions	360,230	
Pension expense	<u>(220,064)</u>	140,166

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued sick leave, capitalized savings from bond refundings, amortization expense and the KSBIT assessment.

40,608

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the Statement of Net Position.

(1,203,894)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.

860,190

Change in net position of governmental activities

\$ 1,043,519

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Food Service Fund	Child Care Fund	Total Proprietary Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 100,624	\$ 1,840	\$ 102,464
Accounts receivable	-	345	345
Inventories	9,588	-	9,588
Total current assets	<u>110,212</u>	<u>2,185</u>	<u>112,397</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	115,712	-	115,712
Total noncurrent assets	<u>115,712</u>	<u>-</u>	<u>115,712</u>
 Total assets	 225,924	 2,185	 228,109
<b>Deferred Outflows of Resources</b>			
Deferred pension contributions	49,121	21,162	70,283
Total deferred outflows of resources	<u>49,121</u>	<u>21,162</u>	<u>70,283</u>
Total assets and deferred outflows	<u>\$ 275,045</u>	<u>\$ 23,347</u>	<u>\$ 298,392</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 57	\$ 57
Total current liabilities	<u>-</u>	<u>57</u>	<u>57</u>
Noncurrent liabilities:			
Net pension liability	374,589	161,376	535,965
Total liabilities	<u>374,589</u>	<u>161,433</u>	<u>536,022</u>
<b>Deferred Inflows of Resources</b>			
Deferred earnings on pension investments	41,760	17,991	59,751
Total deferred inflows of resources	<u>41,760</u>	<u>17,991</u>	<u>59,751</u>
<b>Net Position</b>			
Invested in capital assets	115,712	-	115,712
Restricted	(257,016)	(156,077)	(413,093)
Total net position	<u>(141,304)</u>	<u>(156,077)</u>	<u>(297,381)</u>
Total liabilities, deferred inflows and net position	<u>\$ 275,045</u>	<u>\$ 23,347</u>	<u>\$ 298,392</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Child Care Fund	Total Proprietary Funds
Operating revenues:			
Lunchroom sales	\$ 414,891	\$ -	\$ 414,891
Other revenue	-	224,294	224,294
Total operating revenues	<u>414,891</u>	<u>224,294</u>	<u>639,185</u>
Operating expenses:			
Salaries and wages	329,932	138,879	468,811
Employee benefits	106,984	46,782	153,766
Contract services	16,353	937	17,290
Materials and supplies	590,055	54,463	644,518
Depreciation	24,008	-	24,008
Total operating expenses	<u>1,067,332</u>	<u>241,061</u>	<u>1,308,393</u>
Operating income loss	<u>(652,441)</u>	<u>(16,767)</u>	<u>(669,208)</u>
Nonoperating revenues (expenses) :			
Federal grants	546,885	-	546,885
Donated commodities	65,222	-	65,222
State grants	65,299	23,872	89,171
Total nonoperating revenue	<u>677,406</u>	<u>23,872</u>	<u>701,278</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	24,965	7,105	32,070
Net position, June 30, 2014, as restated	<u>(166,269)</u>	<u>(163,182)</u>	<u>(329,451)</u>
Net position, June 30, 2015	<u><u>\$ (141,304)</u></u>	<u><u>\$ (156,077)</u></u>	<u><u>\$ (297,381)</u></u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities:			
Cash received from:			
Lunchroom sales	\$ 414,891	\$ -	\$ 414,891
Other operating revenues	-	223,949	223,949
Cash paid to/for:			
Payments to suppliers and providers of goods and services	(536,272)	(56,160)	(592,432)
Payments to employees	(400,826)	(170,023)	(570,849)
Net cash used for operating activities	<u>(522,207)</u>	<u>(2,234)</u>	<u>(524,441)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	-	-
Governmental grants	556,981	-	556,981
Net cash provided by (used for) noncapital financing activities	<u>556,981</u>	<u>-</u>	<u>556,981</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	34,774	(2,234)	32,540
Cash and cash equivalents, June 30, 2014	<u>65,850</u>	<u>4,074</u>	<u>69,924</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 100,624</u>	<u>\$ 1,840</u>	<u>\$ 102,464</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (652,441)	\$ (16,767)	\$ (669,208)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	24,008	-	24,008
Donated commodities	65,222	-	65,222
On-behalf payments	55,203	23,872	79,075
Net pension adjustment	(19,113)	(8,234)	(27,347)
Change in assets and liabilities:			
Accounts receivable	-	(345)	(345)
Inventories	6,624	-	6,624
Accounts payable	<u>(1,710)</u>	<u>(760)</u>	<u>(2,470)</u>
Net cash used for operating activities	<u>\$ (522,207)</u>	<u>\$ (2,234)</u>	<u>\$ (524,441)</u>
Non-cash items:			
Donated commodities	\$ 65,222	\$ -	\$ 65,222
On-behalf payments	55,203	23,872	79,075

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Scholarship Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 90,074	\$ 72,087
Accounts receivable	-	-
Total assets	\$ 90,074	\$ 72,087
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ 2,704
Due to students	-	69,383
Total liabilities	-	72,087
 <b>Net position held in trust</b>	\$ 90,074	\$ -

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Scholarship Funds
Additions -	
Contributions	\$ 9,300
Interest Income	258
	9,558
Deductions -	
Benefits paid	24,744
	24,744
Change in Net Position	(15,186)
Net Position June 30, 2014	105,260
Net Position June 30, 2015	\$ 90,074

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

RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 4,586,000	\$ 4,736,000	\$ 4,790,973	\$ 54,973
Motor vehicles	525,000	500,000	580,544	80,544
Utilities	780,000	805,000	993,755	188,755
Interest income	10,000	10,000	14,746	4,746
Tuition and fees	-	-	10,566	10,566
Other local revenues	4,500	3,000	20,607	17,607
Intergovernmental - State	10,670,381	10,908,956	11,136,869	227,913
Total revenues	<u>16,575,881</u>	<u>16,962,956</u>	<u>17,548,060</u>	<u>585,104</u>
Expenditures:				
Current:				
Instruction	9,586,091	9,795,712	10,052,931	(257,219)
Support services:				
Students	728,023	738,926	742,398	(3,472)
Instructional staff	1,208,053	1,246,854	1,259,130	(12,276)
District administration	922,583	898,005	823,964	74,041
School administration	975,347	1,099,794	1,028,818	70,976
Business and other support services	189,001	250,007	252,292	(2,285)
Operation and maintenance of plant	2,011,683	2,025,766	1,962,402	63,364
Student transportation	768,925	796,399	900,789	(104,390)
Food service operations	40,318	47,094	43,704	3,390
Community services	15,415	18,469	8,960	9,509
Contingency	3,050,000	2,883,127	-	2,883,127
Debt service	51,761	61,961	51,761	10,200
Total expenditures	<u>19,547,200</u>	<u>19,862,114</u>	<u>17,127,149</u>	<u>2,734,965</u>
Excess (deficiency) of revenues over expenditures	<u>(2,971,319)</u>	<u>(2,899,158)</u>	<u>420,911</u>	<u>3,320,069</u>
Other financing sources (uses):				
Proceeds from sale of equipment	-	-	174	174
Proceeds from capital lease	-	-	178,894	178,894
Transfers in	5,000	5,000	-	(5,000)
Transfers out	(83,681)	(83,681)	(65,905)	17,776
Total other financing sources and uses	<u>(78,681)</u>	<u>(78,681)</u>	<u>113,163</u>	<u>191,844</u>
Net change in fund balances	(3,050,000)	(2,977,839)	534,074	3,511,913
Fund balances, June 30, 2014	<u>3,050,000</u>	<u>2,977,839</u>	<u>3,148,294</u>	<u>(170,455)</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,682,368</u>	<u>\$ 3,341,458</u>

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

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Student Fees	\$ 3,800	\$ 3,800	\$ 7,262	\$ 3,462
Other local revenues	81,200	81,200	88,670	7,470
Intergovernmental - State	581,453	582,618	648,052	65,434
Intergovernmental - Indirect federal	848,005	854,665	854,930	265
Intergovernmental - Direct federal	65,900	65,900	57,240	(8,660)
Total revenues	<u>1,580,358</u>	<u>1,588,183</u>	<u>1,656,154</u>	<u>67,971</u>
Expenditures:				
Current:				
Instruction	1,031,417	1,030,417	1,012,228	18,189
Support services:				
Students	-	1,000	-	1,000
Instructional staff	412,360	419,020	427,068	(8,048)
Operation and maintenance of plant	70,000	70,000	150,074	(80,074)
Student transportation	14,044	14,044	13,606	438
Community services	102,537	103,702	105,585	(1,883)
Total expenditures	<u>1,630,358</u>	<u>1,638,183</u>	<u>1,708,561</u>	<u>(70,378)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(52,407)</u>	<u>(2,407)</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	52,407	2,407
Transfers out	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>52,407</u>	<u>2,407</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2014	-	-	-	-
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**(1) REPORTING ENTITY**

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

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

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

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

Russell Independent School District Finance Corporation

On October 30, 1989, the Russell Independent School District Board of Education resolved to authorize the establishment of the Russell Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180), as an agency of the Board for financing the costs of school building facilities. The members of the Russell Independent School District Board of Education also comprise the Corporation's Board of Directors.

Copies of component unit reports may be obtained from the District's Finance Office at 409 Belfont Street, Russell, Kentucky 41169-1320.

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

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

Basis of Presentation

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

#### I. Governmental Fund Types

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

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

## II. Proprietary Funds (Enterprise Fund)

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

## III. Fiduciary Fund Types

The Scholarship Funds provide funding for students' higher education in accordance with the terms or conditions specified by the donors.

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

## Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which

the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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

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.

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

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

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

### Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2015 fiscal year was based was \$819,713,104.

The tax rates assessed for the year ended June 30, 2015 to finance general fund operations were \$.755 on real estate and \$.755 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015 were 92% of the tax levy for real and tangible personal property.

### Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements resulting from encumbrances.

### Cash and Cash Equivalents

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

### Inventories

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

### Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general equipment	10 years

### Interfund Balances

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

### Budgetary Process

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

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

### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balance Reserves

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

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

### Net Position

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

### Operating Revenues and Expenses

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

### Interfund Activity

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

### Estimates

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

### Bond Issuance Costs

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

### Pension

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

### New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (14) for the effect of this adoption on beginning net position.

## **(3) CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 460,688	\$ -	\$ -	\$ 460,688
Land improvements	2,057,290	658,005	-	2,715,295
Buildings and improvements	27,627,506	83,243	(26,000)	27,684,749
Technology equipment	2,119,028	-	(53,950)	2,065,078
General equipment	789,517	41,414	-	830,931
Vehicles	1,701,897	178,894	-	1,880,791
Construction in progress	392,161	343,427	(599,434)	136,154
Totals at historical cost	<u>35,148,087</u>	<u>1,304,983</u>	<u>(679,384)</u>	<u>35,773,686</u>

Less: accumulated depreciation -				
Land improvements	(1,389,370)	(56,702)	-	(1,446,072)
Buildings and improvements	(9,157,227)	(654,081)	16,466	(9,794,842)
Technology equipment	(1,808,190)	(149,677)	53,950	(1,903,917)
Vehicles	(1,426,911)	(56,325)	-	(1,483,236)
General equipment	(455,134)	(48,431)	-	(503,565)
Total accumulated depreciation	<u>(14,236,832)</u>	<u>(965,216)</u>	<u>70,416</u>	<u>(15,131,632)</u>
Governmental Activities				
Capital Assets-Net	<u>\$ 20,911,255</u>	<u>\$ 339,767</u>	<u>\$ (608,968)</u>	<u>\$ 20,642,054</u>
<u>Business-Type Activities</u>				
Food service land improvements	\$ 2,350	\$ -	\$ -	\$ 2,350
Food service equipment	580,058	-	-	580,058
Technology equipment	33,971	-	(6,723)	27,248
Totals at historical cost	<u>616,379</u>	<u>-</u>	<u>(6,723)</u>	<u>609,656</u>

Less: accumulated depreciation -				
Land improvements	(1,067)	(118)	-	(1,185)
Equipment	(446,357)	(20,245)	-	(466,602)
Technology equipment	(29,235)	(3,645)	6,723	(26,157)
Total accumulated depreciation	<u>(476,659)</u>	<u>(24,008)</u>	<u>6,723</u>	<u>(493,944)</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 139,720</u>	<u>\$ (24,008)</u>	<u>\$ -</u>	<u>\$ 115,712</u>

Depreciation expense is allocated to governmental functions as follows:

Instruction	\$ 632,575
Student support services	240
District administration	19,517
School administration	2,777
Plant operation and maintenance	260,292
Student transportation	49,815
	<u>\$ 965,216</u>

#### (4) RETIREMENT PLANS

##### Kentucky Teachers Retirement System

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

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

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

#### Medical Insurance Plan

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

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

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

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

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

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the net Pension liability associated with the District	60,898,003
	<u>\$ 60,898,003</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.297%.

For the year ended June 30, 2014, the District recognized pension expense of \$2,984,126 and revenue of \$2,984,126 for support provided by the State.

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

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

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

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

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

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

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

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

	1% Decrease (4.23%)	Current discount rate (5.23%)	1% Increase (6.23%)
System's net pension	\$ 82,181,231	\$ 60,898,003	\$ 51,594,639

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

### County Employees Retirement System

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

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

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

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30 2014, the District's proportion was 0.101%.

For the year ended June 30, 2015, the District recognized pension expense of \$263,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$430,513. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$366,000. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 73,200
2017	73,200
2018	73,200
2019	73,200
2020	73,200
	<u>\$ 366,000</u>

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

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

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for

changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

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

	1% Decrease (6.75%)	Current Discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 4,320,000	\$ 3,283,000	\$ 2,367,000

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

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

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

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015, this amount totaled \$322,797 for those employees with five or more years of experience and who have reached the age of 55. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

#### **(6) COMMITMENTS AND CONTINGENCIES**

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

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

**(7) CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

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

At June 30, 2015, the carrying amounts of the District's deposits were \$5,493,343 and the bank balances were \$5,709,373. Of the total bank balances, \$284,829 was insured by the FDIC, and \$5,424,544 was secured by collateral held by the pledging banks in the District's name.

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

**(8) DEBT OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make lease payments relating to bonds issued by the Russell Independent School District Finance Corporation aggregating \$18,225,000, and notes issued by the Russell Independent School District to the Kentucky Interlocal School Transportation Association ("KISTA") in the original amount of \$620,860.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2015	\$ 1,025,000	1.00% - 3.63%
2012	1,780,000	1.15% - 2.40%
2011	5,320,000	1.00% - 4.63%
2010	810,000	2.00% - 4.00%
2009	925,000	1.75% - 3.60%
2006	3,750,000	3.75% - 4.00%
2004	4,615,000	2.50% - 3.75%
Various (KISTA)	620,860	1.00% - 4.00%
2015 KSBIT	274,421	0.00%

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

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

<u>Description</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>
General obligation bonds - \$18,225,000 originally issued with interest rates ranging from 1.00% to 4.63%	\$ 12,325,000	\$ 1,025,000	\$ (815,000)	\$ 12,535,000
KISTA notes payable	243,086	178,894	(45,190)	376,790
KSBIT liability	274,421	-	(82,442)	191,979
Accumulated unpaid sick leave	288,694	34,103	-	322,797
	<u>\$ 13,131,201</u>	<u>\$ 1,237,997</u>	<u>\$ (942,632)</u>	<u>\$ 13,426,566</u>

In connection with the 2015, 2011, 2009 and 2006 bond issues, the Board entered into participation agreements with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

The bonds may be called prior to maturity at redemption premiums as specified in each issue. Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2015 for debt service (principal and interest) are as follows:

Bonds						
Year	Kentucky School Facilities Construction Commission		Russell Independent School District		Total	
	Principal	Interest	Principal	Interest		
2016	\$ 287,437	\$ 137,584	\$ 592,563	\$ 296,225	\$ 1,313,809	
2017	295,630	128,990	569,370	272,744	1,266,734	
2018	309,141	120,039	585,859	259,430	1,274,469	
2019	318,354	110,197	601,646	243,288	1,273,485	
2020	218,040	99,671	626,960	226,112	1,170,783	
2021-25	1,184,194	382,133	2,985,806	831,449	5,383,582	
2026-30	951,589	174,139	2,193,411	336,244	3,655,383	
2031-35	413,404	38,784	401,596	16,474	870,258	
	<u>\$ 3,977,789</u>	<u>\$ 1,191,537</u>	<u>\$ 8,557,211</u>	<u>\$ 2,481,966</u>	<u>\$ 16,208,503</u>	

Notes and KSBIT			
Year	Principal	Interest	Total
2016	\$ 113,648	\$ 8,608	\$ 122,256
2017	107,344	7,105	114,449
2018	71,590	5,836	77,426
2019	63,576	4,710	68,286
2020	64,455	3,798	68,253
2021-25	148,156	7,582	155,738
	<u>\$ 568,769</u>	<u>\$ 37,639</u>	<u>\$ 606,408</u>

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result the District’s portion of the liability was estimated at \$274,421. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

**(9) RISK MANAGEMENT**

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

premium. In some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverages may be requested that increase the premium.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a potential loss.

**(11) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching	\$ 52,407
Operating	FSPK Fund	Debt Service	Debt Service	688,485
Operating	SEEK	Debt Service	Debt Service	202,182
Operating	FSPK Fund	Construction	Construction	37,650
Operating	General	Construction	Construction	13,498

**(12) ON-BEHALF PAYMENTS**

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

<u>Plan / Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,194,577
Health Insurance Plan, Flexible Spending Plan, and Administrative Life Insurance Plan	1,804,280
Technology	59,763
Debt Service	357,302
<b>Recognized at the fund level</b>	<u>3,415,922</u>
Additional pension expense recognized at the Government-wide level	1,789,549
<b>Total on-behalf</b>	<u>\$ 5,205,471</u>

These amounts are included in the Government-wide statement of activities as State revenues and as expenses allocated to the different functions in the same proportion as full-time employees, with the exception of payments for debt service.

**(13) FUND DEFICIT**

As of June 30, 2015, the Food Service Fund had a negative net position of \$141,304. Additionally, the Child Care Fund had a negative net position of \$156,077. These deficits resulted from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the recording of the fund's proportionate share of net pension liability. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

#### (14) CHANGE IN ACCOUNTING PRINCIPLE

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position as previously reported at June 30, 2014	<u>\$ 11,367,300</u>	<u>\$ 223,329</u>	<u>\$ 11,590,629</u>
Prior period adjustment implementation of GASB 68: Net pension liability (measurement date as of June 30, 2013)	(3,191,172)	(633,361)	(3,824,533)
Deferred outflows District contributions made during fiscal year 2014	<u>357,952</u>	<u>80,581</u>	<u>438,533</u>
Total prior period adjustment	<u>(2,833,220)</u>	<u>(552,780)</u>	<u>(3,386,000)</u>
Net position as restated, June 30, 2014	<u>\$ 8,534,080</u>	<u>\$ (329,451)</u>	<u>\$ 8,204,629</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

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

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	
	<hr/>	
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
District's proportion of the net pension liability		0.101%
District's proportionate share of the net pension liability	\$	3,283,000
District's covered-employee payroll	\$	2,436,406
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		134.748%
Plan fiduciary net position as a percentage of the total pension liability		66.800%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
District's proportion of the net pension liability		0.297%
District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District	\$	60,898,003
Total	<u>\$</u>	<u>60,898,003</u>
District's covered-employee payroll	\$	9,301,366
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.000%
Plan fiduciary net position as a percentage of the total pension liability		45.590%

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

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

	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ 430,513	\$ 438,533
Contributions in relation to the contractually required contribution	<u>430,513</u>	<u>438,533</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,436,406	\$ 2,321,509
District's contributions as a percentage of its covered-employee payroll	17.67%	18.89%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 9,301,366	\$ 9,287,293
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%

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

**RUSSELL INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

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

CERS

There were no changes of assumptions.

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

KTRS

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

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

CERS

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

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

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

**(3) CHANGES OF BENEFITS**

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

**SUPPLEMENTAL INFORMATION**

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

	SEEK Fund	District Activity Fund	FSPK Funds	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ -	\$ 149,290	\$ 102,501	\$ -	\$ 251,791
Accounts receivable	-	5,529	-	-	5,529
Total assets	<u>\$ -</u>	<u>\$ 154,819</u>	<u>\$ 102,501</u>	<u>\$ -</u>	<u>\$ 257,320</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 26,504	\$ -	\$ -	\$ 26,504
Total liabilities	<u>-</u>	<u>26,504</u>	<u>-</u>	<u>-</u>	<u>26,504</u>
<b>Fund Balances:</b>					
Restricted	-	-	102,501	-	102,501
Committed	-	128,315	-	-	128,315
Total fund balance	<u>-</u>	<u>128,315</u>	<u>102,501</u>	<u>-</u>	<u>230,816</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 154,819</u>	<u>\$ 102,501</u>	<u>\$ -</u>	<u>\$ 257,320</u>

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

	SEEK Fund	District Activity Fund	FSPK Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>REVENUES:</b>					
From local sources -					
Property taxes	\$ -	\$ -	\$ 409,857	\$ -	\$ 409,857
Interest income	-	-	-	-	-
Other	-	387,539	-	-	387,539
Intergovernmental - State	202,182	-	347,314	357,302	906,798
Total revenues	<u>202,182</u>	<u>387,539</u>	<u>757,171</u>	<u>357,302</u>	<u>1,704,194</u>
<b>EXPENDITURES:</b>					
Support Services -					
Students	-	259,224	-	-	259,224
Debt service	-	-	-	1,247,969	1,247,969
Facilities acquisition and construction	-	-	-	-	-
Total expenditures	<u>-</u>	<u>259,224</u>	<u>-</u>	<u>1,247,969</u>	<u>1,507,193</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>202,182</u>	<u>128,315</u>	<u>757,171</u>	<u>(890,667)</u>	<u>197,001</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bond issuance	-	-	-	-	-
Operating transfers in	-	-	-	890,667	890,667
Operating transfers out	(202,182)	-	(726,135)	-	(928,317)
Total other financing sources (uses)	<u>(202,182)</u>	<u>-</u>	<u>(726,135)</u>	<u>890,667</u>	<u>(37,650)</u>
NET CHANGE IN FUND BALANCE	-	128,315	31,036	-	159,351
FUND BALANCE June 30, 2014	<u>-</u>	<u>-</u>	<u>71,465</u>	<u>-</u>	<u>71,465</u>
FUND BALANCE June 30, 2015	<u>\$ -</u>	<u>\$ 128,315</u>	<u>\$ 102,501</u>	<u>\$ -</u>	<u>\$ 230,816</u>

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

	2004 Bond Fund	2006 Bond Fund	2009 Bond Fund	2010 Bond Fund	2011 Bond Fund	2012 Bond Fund	2015 Bond Fund	Totals Debt Service Fund
REVENUES:								
Intergovernmental - State	\$ -	\$ 137,862	\$ 112,135	\$ -	\$ 107,305	\$ -	\$ -	\$ 357,302
Total revenues	<u>-</u>	<u>137,862</u>	<u>112,135</u>	<u>-</u>	<u>107,305</u>	<u>-</u>	<u>-</u>	<u>357,302</u>
EXPENDITURES:								
Debt service	543,120	213,567	112,135	34,175	257,263	87,709	-	1,247,969
Total expenditures	<u>543,120</u>	<u>213,567</u>	<u>112,135</u>	<u>34,175</u>	<u>257,263</u>	<u>87,709</u>	<u>-</u>	<u>1,247,969</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(543,120)</u>	<u>(75,705)</u>	<u>-</u>	<u>(34,175)</u>	<u>(149,958)</u>	<u>(87,709)</u>	<u>-</u>	<u>(890.667)</u>
OTHER FINANCING SOURCES (USES):								
Operating transfers in	543,120	75,705	-	34,175	149,958	87,709	-	890.667
Total other financing sources (uses)	<u>543,120</u>	<u>75,705</u>	<u>-</u>	<u>34,175</u>	<u>149,958</u>	<u>87,709</u>	<u>-</u>	<u>890.667</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-	-
FUND BALANCE June 30, 2014	<u>-</u>							
FUND BALANCE June 30, 2015	<u>\$ -</u>							

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

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2015
Russell High School	\$ 107,339	\$ 342,802	\$ 408,860	\$ 41,281	\$ -	\$ 2,704	\$ 38,577
Russell Middle School	42,409	166,664	191,708	17,365	-	-	17,365
Russell Primary School	25,419	54,510	71,057	8,872	-	-	8,872
Russell-McDowell Intermediate School	18,322	32,568	46,321	4,569	-	-	4,569
	<u>\$ 193,489</u>	<u>\$ 596,544</u>	<u>\$ 717,946</u>	<u>\$ 72,087</u>	<u>\$ -</u>	<u>\$ 2,704</u>	<u>\$ 69,383</u>

RUSSELL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
RUSSELL HIGH SCHOOL ACTIVITY AND SCHOLARSHIP FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

Activity Funds:	Cash			Cash	Accounts	Cash and Deposits
	Balances	Receipts	Disbursements			
	June 30, 2014			June 30, 2015	(Accounts Payable)	For Students
						June 30, 2015
Academic Team	\$ 2,515	\$ 2,593	\$ (1,360)	\$ 3,748	\$ -	\$ 3,748
Appalachian Trail	426	-	(426)	-	-	-
Archery	-	5,643	(5,643)	-	-	-
Art/ T Perry	418	875	(1,293)	-	-	-
Athletics	9,787	6,748	(8,708)	7,827	-	7,827
Band	1,238	4,337	(3,297)	2,278	-	2,278
Baseball	-	7,614	(7,614)	-	-	-
Beta Club	1,160	18,964	(19,123)	1,001	-	1,001
Bio Tech Grant	3,000	-	(3,000)	-	-	-
Boys Basketball	-	21,410	(21,410)	-	-	-
Boys Basketball Camp	30	6,244	(2,955)	3,319	(2,704)	615
Boys Golf	-	2,861	(2,861)	-	-	-
Boys Soccer	-	4,044	(4,044)	-	-	-
Boys Tennis	-	1,914	(1,914)	-	-	-
Boys Tennis Camp	138	-	-	138	-	138
Boys Track	-	4,824	(4,824)	-	-	-
Boys/Girls Basketball Camp	-	6,395	(6,395)	-	-	-
Boys/Girls State	100	-	(100)	-	-	-
Boys/Girls Swimming	-	653	(653)	-	-	-
Boys/Girls Track Camp	363	-	-	363	-	363
Choir	2,024	1,082	(3,106)	-	-	-
Cross County	-	9,965	(9,965)	-	-	-
Downs Syndrome	72	-	(72)	-	-	-
Ed Enhancement	24,604	-	(24,604)	-	-	-
English	157	-	(157)	-	-	-
Faculty Lounge	-	203	(203)	-	-	-
Field Trips	-	680	(680)	-	-	-
FHA/FCCLA	1,156	4,997	(5,083)	1,070	-	1,070
Football	-	69,876	(69,876)	-	-	-
Foreign Language	17	88	(105)	-	-	-
French Club	52	-	-	52	-	52
Garden Club	275	942	-	1,217	-	1,217
General Fund	11,908	8,091	(19,976)	23	-	23
Girls Basketball	-	14,067	(14,067)	-	-	-
Girls Basketball Camp	997	367	(530)	834	-	834
Girls Golf	-	2,991	(2,991)	-	-	-
Girls Soccer	-	5,962	(5,962)	-	-	-
Girls Tennis	-	3,273	(3,273)	-	-	-
Girls Tennis Camp	922	500	(300)	1,122	-	1,122
Girls Track	-	4,732	(4,732)	-	-	-
Home Ec. / Salyer	2,830	1,946	(4,713)	63	-	63
International Club	42	-	(42)	-	-	-
Journalism	262	-	(262)	-	-	-
Key Club	2,427	1,647	(696)	3,378	-	3,378
Latin Club	4,463	3,525	(3,470)	4,518	-	4,518
Library	78	180	(78)	180	-	180
Literary Society	4	356	(360)	-	-	-
Marv Meredith Class	1,500	3,025	(3,765)	760	-	760
Math	98	-	(98)	-	-	-
National Honor Society	644	-	(385)	259	-	259
New Media	660	322	(982)	-	-	-

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

	Cash Balances June 30, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable (Accounts Payable)	Cash and Deposits Held in Custody For Students June 30, 2015
Peer to Peer	69	-	(69)	-	-	-
Pep Club	-	1,724	(1,671)	53	-	53
Prom	280	-	(280)	-	-	-
Revilonian	7,111	8,454	(13,480)	2,085	-	2,085
Science - Aldrich	975	-	(975)	-	-	-
Science - Barnett	4,098	-	(4,098)	-	-	-
Science - House	272	-	(272)	-	-	-
Science - V Stevens	593	-	(593)	-	-	-
Science - Romero	1,848	-	(1,848)	-	-	-
Science - Hill	1,914	-	(1,914)	-	-	-
Science Olympiad	3,323	1,000	(720)	3,603	-	3,603
Science/GE Star Award	500	-	(500)	-	-	-
Senior Salute	1,979	-	(488)	1,491	-	1,491
Service Learning Grant	152	-	(152)	-	-	-
Social Studies	39	-	(39)	-	-	-
Softball	-	8,120	(8,120)	-	-	-
Spanish Honor Society	100	25	-	125	-	125
Special Ed	14	165	(164)	15	-	15
Speech and Drama	923	-	(85)	838	-	838
Sports Change	-	28,300	(28,300)	-	-	-
Sports Medicine	-	2,758	(2,758)	-	-	-
Starbucks Volunteer	1,000	-	(1,000)	-	-	-
Student Awards	400	-	(400)	-	-	-
Student Government	1,021	1,390	(2,378)	33	-	33
Testing	4,073	27,601	(31,671)	3	-	3
Technology	2,280	2,030	(4,310)	-	-	-
Trim Fees	-	23,160	(22,275)	885	-	885
Volleyball	-	4,139	(4,139)	-	-	-
Youth Literacy Grant	8	-	(8)	-	-	-
	<u>\$ 107,339</u>	<u>\$ 342,802</u>	<u>\$ (408,860)</u>	<u>\$ 41,281</u>	<u>\$ \$ (2,704)</u>	<u>\$ 38,577</u>
<b>Scholarship Funds:</b>						
Barbara Green Scholarship	\$ 2,076	\$ 3	\$ (1,750)	\$ 329	-	-
Bennett Lake Memorial Scholarship	30,911	164	(3,244)	27,831	-	-
Beta Club Scholarship	131	1	-	132	-	-
Cameron Weis	9,858	6	(250)	9,614	-	-
Class of 1993	500	-	-	500	-	-
Earl Mittendorf Scholarship	36,866	1,309	(7,000)	31,175	-	-
Eliza McKnight Fund	736	1	-	737	-	-
Hyatt Ward Scholarship	190	-	-	190	-	-
Ledford Scholarship	500	1,500	(2,000)	-	-	-
Marv Meredith	9,387	11	(500)	8,898	-	-
Mark & Teresa Stone	3,000	-	(1,000)	2,000	-	-
Pepsi-Cola Scholarship	1,000	1,000	(2,000)	-	-	-
Russell Independent Scholarship	6,042	3,063	(4,000)	5,105	-	-
Travis Roark Memorial Scholarship	-	-	-	-	-	-
Una Fern Menshouse Scholarship	4,063	-	(1,000)	3,063	-	-
WLGK Scholarship	-	2,500	(2,000)	500	-	-
	<u>\$ 105,260</u>	<u>\$ 9,558</u>	<u>\$ (24,744)</u>	<u>\$ 90,074</u>	<u>\$ \$</u>	<u>\$</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
Child Nutrition cluster:				
Cash Assistance				
National School Lunch Program	10.555	7750002-14	\$ -	\$ 76,115
National School Lunch Program	10.555	7750002-15	-	332,097
National School Breakfast Program	10.553	7760005-14	-	26,937
National School Breakfast Program	10.553	7760005-15	-	111,736
				<u>546,885</u> *
Passed through State Department of Agriculture:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	10.555	057502-02	-	65,222
Total U.S. Department of Agriculture				<u>612,107</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	3100002-13	296,556	68,626
Title I - Grants to Local Educational Agencies	84.010	3100002-14	370,565	288,677
				<u>357,303</u> *
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	3810002-12	407,462	89
Special Education - Grants to States	84.027	3810002-14	386,191	385,188
Special Education - Preschool Grants	84.173	3800002-14	17,480	17,480
				<u>402,757</u>
Improving Teacher Quality State Grants	84.367	3230002-13	80,876	17,828
Improving Teacher Quality State Grants	84.367	3230002-14	81,364	63,038
				<u>80,866</u>
Vocational Education - Basic Grants to States	84.048	3710002-14	4,729	4,729
				<u>4,729</u>
Race to the Top	84.413A	3960002-11	14,143	4,141
				<u>4,141</u>
Passed through University of Kentucky:				
Reading Recovery: Scaling Up What Works	84.411A	4914	11,100	1,464
Reading Recovery: Scaling Up What Works	84.411A	491A	3,700	3,670
				<u>5,134</u>
Total U.S. Department of Education				<u>854,930</u>
<u>U.S. Department of Defense</u>				
Direct Programs -				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	504A	65,900	57,240
Total U.S. Department of Defense				<u>57,240</u>
Total Expenditures of Federal Awards				<u>\$ 1,524,277</u>

\*Denotes major program.

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

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

**NOTE A - BASIS OF PRESENTATION**

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

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had total inventory of \$ 9,588.



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Russell Independent School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 14, 2015.

## Purpose of this Report

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

*Kelley Gulpenway Smith Goolsby, PSC*

October 14, 2015  
Ashland, Kentucky



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

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

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

## Purpose of this Report

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

*Kathleen Anthony Smith, CPA, PSC*

October 14, 2015  
Ashland, Kentucky

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**(A) SUMMARY OF AUDIT RESULTS**

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

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

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

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

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

Child Nutrition Cluster (10.553 and 10.555)  
Title I (84.010)

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

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

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

None noted in the current year.

**(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

There were no findings in the current year.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

There were no prior year audit findings.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings that require a corrective action plan in the current year.

**RUSSELL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2015**

There were no matters to be communicated in a management letter in the current year.  
All matters communicated in the prior year management letter have been corrected.