

**EAST BERNSTADT INDEPENDENT  
SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022  
with  
REPORT OF INDEPENDENT AUDITORS**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Bernstadt Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Bernstadt Independent School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements and Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the East Bernstadt Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

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

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

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







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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the pension and other postemployment benefits liability and contributions information per the table of contents 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 with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.







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***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Bernstadt Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 are the responsibility of management and were 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, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 10, 2022, on our consideration of East Bernstadt 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Bernstadt Independent School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 10, 2022



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Year Ended June 30, 2022

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The management of East Bernstadt Independent School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2022. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The District has ended the year with a cash balance of \$1,872,411 compared to \$1,529,471 in 2021.
- The District's General Fund recognized \$4,310,793 in revenue, excluding interfund transfers and capital lease proceeds, which primarily consisted of the state program (SEEK) and property, utility, and motor vehicle taxes. Excluding interfund transfers and capital expenditures, there was \$4,249,545 in General Fund expenditures
- Bonds are issued as the District constructs/renovates facilities consistent with the District Facilities Plan approved by the Kentucky Department of Education. The District made \$536,192 in bond payments during the year. The School Facilities Construction Commission of the state of Kentucky assists or fully pays certain outstanding debt on behalf of the District. This totaled \$268,524. The Federal Government also assists the district in paying the outstanding debt of one bond issue. This amount totaled \$370,984.
- The District was funded based on AADA (Adjusted Average Daily Attendance) from the 2019-2020 school year. This was due to the COVID-19 pandemic and the provision made by state legislature allowing school districts to keep AADA frozen, since COVID-19 illnesses and quarantines caused many absences out of the ordinary.
- The District was awarded a new seven year GEAR Up grant through a collaboration with Berea College.
- The District Food Service recognized revenues of \$493,775 and expenses of \$407,489, excluding interfund transfers.

### **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 financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information 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 primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There 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 proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents 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 financial statements can be found on the table of contents of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### **Net Position for the period ending June 30, 2022**

Fiscal year 2022 government-wide net position compared to 2021 is as follows:

*See table on next page*

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 2,266,956	\$ 2,032,174
Capital assets	14,902,839	14,787,931
Total Assets	<u>\$ 17,169,795</u>	<u>\$ 16,820,105</u>
Deffer outflow of resources	<u>\$ 752,057</u>	<u>\$ 714,185</u>
Current liabilities	\$ 1,212,801	\$ 844,807
Noncurrent liabilities	12,537,945	13,676,111
Total Liabilities	<u>\$ 13,750,746</u>	<u>\$ 14,520,918</u>
Deferred inflow of resources	<u>\$ 970,494</u>	<u>\$ 534,119</u>
Net investment in captial assets	\$ 4,060,868	\$ 3,290,114
Restricted net position	238,397	416,084
Unrestricted net position	(1,096,220)	(1,226,945)
Total net position	<u>\$ 3,203,045</u>	<u>\$ 2,473,253</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$3,057,893; proprietary assets exceeded liabilities by \$145,152 and total assets exceeded liabilities by \$3,203,045 at June 30, 2022.

The District had an overall increase in unrestricted net position of \$130,725, comprised of an increase in governmental activities unrestricted net position of \$130,725.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2022 and 2021.

*See table on next page*

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>
<b>Revenues and other financing sources</b>		
Local revenue sources	\$ 675,130	\$ 810,694
State revenue sources	5,153,275	4,581,351
Federal revenue	1,335,740	1,197,923
<b>Total revenue</b>	<u>7,164,145</u>	<u>6,589,968</u>
<b>Expenditures and other financing uses</b>		
Instruction	3,482,116	3,323,270
Student support services	239,430	232,328
Instructional support	212,749	190,277
District administration	378,426	405,858
School administration	193,918	181,150
Business operations	299,753	305,094
Plant operation and maintenance	440,912	358,109
Student transportation	212,594	88,131
Other instructional	16,129	12,420
Student activity expenditures	61,234	36,141
Community services	62,199	61,979
Land improvement	172,799	
Building acquisition and construction	166,001	1,399,856
Debt service	1,212,442	1,132,020
<b>Total expenditures</b>	<u>7,150,702</u>	<u>7,726,633</u>
<b>Excess revenues (expenditures)</b>	<u>\$ 13,443</u>	<u>\$ (1,136,665)</u>
<b>Other financing sources (uses)</b>		
Bond proceeds	\$ -	\$ 1,610,000
Proceeds from disposal of assets	1,463	1,593
Transfers in	735,198	709,083
Transfers out	(711,243)	(689,667)
<b>Total other financing sources (uses)</b>	<u>\$ 25,418</u>	<u>\$ 1,631,009</u>
<b>Net change in fund balance</b>	<u>\$ 38,861</u>	<u>\$ 494,344</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees.

**BUDGETARY IMPLICATION**

In Kentucky, the public-school fiscal year is July 1 through June 30; other programs, such as, some 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 adopted a working budget with \$924,854 in contingency.

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2022 were \$4,310,793 excluding transfers and proceeds from disposal of assets.
- General fund budgeted revenue, excluding transfers compared to actual revenue, excluding transfers, varied from line item to line item with the ending actual balance being \$322,051 or 8.07% in excess of the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2022 was \$4,286,558, excluding transfers.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
Year Ended June 30, 2022

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- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$939,831 or 17.98% less than budgeted. Of this, a contingency of \$924,854, or 17.70%, was included within the budgeted expenditures.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding this report should be directed to the Superintendent or the Director of Financial Services at 606-843-7373, or by mail at 296 E. Hwy. 3094, East Bernstadt, KY 40729.



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
June 30, 2022**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,572,220	\$ 300,191	\$ 1,872,411
Accounts receivable:			
Taxes	19,414	-	19,414
Local	15,055	-	15,055
Intergovernmental - State	2,433	-	2,433
Intergovernmental - Federal	254,517	33,464	287,981
Prepaid expenditures	72,095	-	72,095
Capital Assets, net			
Nondepreciable	283,343	-	283,343
Depreciable	14,495,279	124,217	14,619,496
<b>Total assets</b>	<b>16,714,356</b>	<b>457,872</b>	<b>17,169,795</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows- CERS PENSION	145,448	50,152	195,600
Deferred outflows from OPEB - CERS	135,239	46,631	181,870
Deferred outflows from OPEB - KTRS	374,587	-	374,587
	<u>655,274</u>	<u>96,783</u>	<u>752,057</u>
<b>LIABILITIES</b>			
Accounts payable	237,245	896	238,141
Accrued expense	130,787	-	130,787
Unearned revenue	117,444	-	117,444
Current portion of capital lease obligations	30,813	-	30,813
Current maturities of bond obligations	629,103	-	629,103
Interest payable	66,513	-	66,513
Net pension liability - CERS	693,803	239,229	933,032
Net OPEB - CERS liability	208,285	71,819	280,104
Net OPEB - KTRS liability	793,000	-	793,000
Noncurrent portion of capital lease obligations	116,187	-	116,187
Noncurrent maturities of bond obligations	10,065,868	-	10,065,868
Noncurrent portion of accumulated sick leave	349,754	-	349,754
<b>Total liabilities</b>	<b>13,438,802</b>	<b>311,944</b>	<b>13,750,746</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows - CERS PENSION	159,141	54,874	214,015
Deferred inflows from OPEB - CERS	123,794	42,685	166,479
Deferred inflows from OPEB - KTRS	590,000	-	590,000
	<u>872,935</u>	<u>97,559</u>	<u>970,494</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,936,651	124,217	4,060,868
Restricted for:			
Capital expenditures	73,901	-	73,901
Other	143,561	20,935	164,496
Unrestricted	(1,096,220)	-	(1,096,220)
<b>Total net position</b>	<b>\$ 3,057,893</b>	<b>\$ 145,152</b>	<b>\$ 3,203,045</b>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2022**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental activities</b>							
Instruction	\$ 3,510,513	\$ -	\$ 1,675,022	\$ -	\$ (1,835,491)	\$ -	\$ (1,835,491)
Student support	196,425	-	88,124	-	(108,301)	-	(108,301)
Instructional staff support	212,750	-	95,448	-	(117,302)	-	(117,302)
District administrative support	370,785	-	166,350	-	(204,435)	-	(204,435)
School administrative support	193,918	-	87,000	-	(106,918)	-	(106,918)
Business support	299,753	-	134,482	-	(165,271)	-	(165,271)
Plant operations and maintenance	782,652	-	351,131	-	(431,521)	-	(431,521)
Student transportation	145,775	-	65,401	-	(80,374)	-	(80,374)
Food service operations	16,129	-	-	-	(16,129)	-	(16,129)
Community service operations	62,199	-	27,905	-	(34,294)	-	(34,294)
Other non-instructional services	17,861	-	-	-	(17,861)	-	(17,861)
Interest on long-term debt	554,772	-	-	639,508	84,736	-	84,736
<b>Total governmental activities</b>	<b>6,363,532</b>	<b>-</b>	<b>2,690,863</b>	<b>639,508</b>	<b>(3,033,161)</b>	<b>-</b>	<b>(3,033,161)</b>
<b>Business-type activities</b>							
Food service	407,489	19,787	473,834	-	-	86,132	86,132
After school child care	6,509	10,674	-	-	-	4,165	4,165
<b>Total business-type activities</b>	<b>413,998</b>	<b>30,461</b>	<b>473,834</b>	<b>-</b>	<b>-</b>	<b>90,297</b>	<b>90,297</b>
<b>Total primary government</b>	<b>\$ 6,777,530</b>	<b>\$ 30,461</b>	<b>\$ 3,164,697</b>	<b>\$ 639,508</b>	<b>(3,033,161)</b>	<b>90,297</b>	<b>(2,942,864)</b>
<b>General revenues</b>							
<b>Taxes:</b>							
Other non-instructional					357,792	-	357,792
					44,415	-	44,415
					137,299	-	137,299
					1,316	154	1,470
					3,158,644	-	3,158,644
					134,309	-	134,309
					1,463	(4,663)	(3,200)
					23,955	(23,955)	-
					<b>3,859,193</b>	<b>(28,464)</b>	<b>3,830,729</b>
					826,032	61,833	887,865
					2,231,861	83,319	2,315,180
					<b>\$ 3,057,893</b>	<b>\$ 145,152</b>	<b>\$ 3,203,045</b>

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

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2022**

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,472,744	\$ -	\$ 70,975	\$ 28,501	\$ 1,572,220
Accounts receivable:					
Taxes	21,609	-	-	-	21,609
Local	-	-	-	55	55
Intergovernmental federal	-	269,755	-	-	269,755
Interfund receivable	86,076	-	-	-	86,076
Prepaid expenditures	72,095	-	-	-	72,095
<b>Total assets</b>	<b><u>\$ 1,652,524</u></b>	<b><u>\$ 269,755</u></b>	<b><u>\$ 70,975</u></b>	<b><u>\$ 28,556</u></b>	<b><u>\$ 2,021,810</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 171,010	\$ 66,235	\$ -	\$ -	\$ 237,245
Accrued expense	130,787	-	-	-	130,787
Interfund payable	-	86,076	-	-	86,076
Unearned revenue	-	117,444	-	-	117,444
<b>Total liabilities</b>	<b><u>301,797</u></b>	<b><u>269,755</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>571,552</u></b>
<b>Fund balances</b>					
Nonspendable	72,095	-	-	-	72,095
Restricted	-	-	70,975	28,556	99,531
Committed	104,926	-	-	-	104,926
Assigned	13,005	-	-	-	13,005
Unassigned	1,160,701	-	-	-	1,160,701
<b>Total fund balances</b>	<b><u>1,350,727</u></b>	<b><u>-</u></b>	<b><u>70,975</u></b>	<b><u>28,556</u></b>	<b><u>1,450,258</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,652,524</u></b>	<b><u>\$ 269,755</u></b>	<b><u>\$ 70,975</u></b>	<b><u>\$ 28,556</u></b>	<b><u>\$ 2,021,810</u></b>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

**June 30, 2022**

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Total fund balances - governmental funds	\$ 1,450,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	14,778,622
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	655,274
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but are presented in the statement of net position.	(10,694,971)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but are presented in the statement of net position.	(147,000)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(349,754)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,695,088)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(872,935)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(66,513)</u>
Total net position - governmental activities	<u>\$ 3,057,893</u>



EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 Year ended June 30, 2022

	General Fund	Special Revenue Funds	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
From local sources:						
Taxes						
Property	\$ 258,570	\$ -	\$ -	\$ -	\$ 99,222	357,792
Motor vehicle	44,415	-	-	-	-	44,415
Utility	137,299	-	-	-	-	137,299
Earnings on investments	1,239	-	62	-	14	1,315
Other local	21,555	55,000	-	-	-	76,555
Student activity revenue	-	-	-	-	57,754	57,754
Intergovernmental - State	3,829,292	485,314	-	268,524	570,145	5,153,275
Intergovernmental - Federal	18,423	946,333	-	370,984	-	1,335,740
<b>Total revenues</b>	<b>4,310,793</b>	<b>1,486,647</b>	<b>62</b>	<b>639,508</b>	<b>727,135</b>	<b>7,164,145</b>
<b>Expenditures</b>						
Current:						
Instruction	2,661,296	820,820	-	-	-	3,482,116
Student	124,429	115,001	-	-	-	239,430
Instructional support	103,152	109,597	-	-	-	212,749
District administration	378,426	-	-	-	-	378,426
School administration	193,918	-	-	-	-	193,918
Business support	279,910	19,843	-	-	-	299,753
Plant operations and maintenance	336,242	104,670	-	-	-	440,912
Student transportation	156,314	56,280	-	-	-	212,594
Other instructional	16,129	-	-	-	-	16,129
Student activity expenditures	-	-	-	-	61,234	61,234
Community services	-	62,199	-	-	-	62,199
Land improvement	-	172,799	-	-	-	172,799
Buildings acquisition & construction	-	-	166,001	-	-	166,001
Debt service	36,742	-	-	1,175,700	-	1,212,442
<b>Total expenditures</b>	<b>4,286,558</b>	<b>1,461,209</b>	<b>166,001</b>	<b>1,175,700</b>	<b>61,234</b>	<b>7,150,702</b>
Excess (deficit) of revenues over (under) expenditures	24,235	25,438	(165,939)	(536,192)	665,901	13,443
<b>Other financing sources (uses)</b>						
Proceeds from disposal of assets	1,463	-	-	-	-	1,463
Transfers in	188,884	10,122	-	536,192	-	735,198
Transfers out	(10,124)	(35,560)	-	-	(665,559)	(711,243)
<b>Total other financing sources (uses)</b>	<b>180,223</b>	<b>(25,438)</b>	<b>-</b>	<b>536,192</b>	<b>(665,559)</b>	<b>25,418</b>
<b>Net change in fund balance</b>	<b>204,458</b>	<b>-</b>	<b>(165,939)</b>	<b>-</b>	<b>342</b>	<b>38,861</b>
Restated fund balance as of June 30, 2021	1,146,269	-	236,914	-	28,214	1,411,397
<b>Fund balance as of June 30, 2022</b>	<b>\$ 1,350,727</b>	<b>\$ -</b>	<b>\$ 70,975</b>	<b>\$ -</b>	<b>\$ 28,556</b>	<b>\$ 1,450,258</b>

# EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2022

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Net change in total fund balances - governmental funds	\$ 38,861
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	112,485
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	655,846
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	1,824
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities.	63,211
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	(46,195)
The sale of assets is shown in the governmental fund financial statements but losses or gains are show only in the statement of activities.	<u>          -</u>
Change in net position - governmental activities	<u>\$ 826,032</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS

June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 281,798	\$ 18,393	\$ 300,191
Accounts receivable	33,464	-	33,464
<b>Total current assets</b>	<b>315,262</b>	<b>18,393</b>	<b>333,655</b>
<b>Noncurrent assets</b>			
Capital assets	377,429	-	377,429
Less accumulated depreciation	(253,212)	-	(253,212)
<b>Total noncurrent assets</b>	<b>124,217</b>	<b>-</b>	<b>124,217</b>
<b>Total assets</b>	<b>439,479</b>	<b>18,393</b>	<b>457,872</b>
<b>Deferred outflow of resources</b>			
Deferred outflows from pensions	50,152	-	50,152
Deferred outflows from OPEB	46,631	-	46,631
	96,783	-	96,783
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	588	308	896
<b>Noncurrent liabilities</b>			
Net pension liability	239,229	-	239,229
Net OPEB liability	71,819	-	71,819
<b>Total liabilities</b>	<b>311,636</b>	<b>308</b>	<b>311,944</b>
<b>Deferred inflow of resources</b>			
Deferred pension inflows from pensions	54,874	-	54,874
Deferred pension inflows from OPEB	42,685	-	42,685
	97,559	-	97,559
<b>NET POSITION</b>			
Net investment in capital assets	124,217	-	124,217
Restricted for:			
Other	2,850	18,085	20,935
Unrestricted	-	-	-
<b>Total net position</b>	<b>\$ 127,067</b>	<b>\$ 18,085</b>	<b>\$ 145,152</b>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
 PROPRIETARY FUNDS

Year ended June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
<b>Operating revenues</b>			
Lunchroom sales	\$ 19,787	\$ -	\$ 19,787
Other	-	10,674	10,674
Total operating revenues	<u>19,787</u>	<u>10,674</u>	<u>30,461</u>
<b>Operating expenses</b>			
Salaries and wages	111,221	4,857	116,078
Employee benefits	67,819	591	68,410
Materials and supplies	197,332	1,061	198,393
Other	1,190	-	1,190
Depreciation	29,927	-	29,927
Total operating expenses	<u>407,489</u>	<u>6,509</u>	<u>413,998</u>
Operating income/(loss)	<u>(387,702)</u>	<u>4,165</u>	<u>(383,537)</u>
<b>Nonoperating revenues</b>			
Federal grants	421,529	-	421,529
State grants	22,840	-	22,840
Earnings on investments	154	-	154
Donated commodities	29,465	-	29,465
Total nonoperating revenues/(expenses)	<u>473,988</u>	<u>-</u>	<u>473,988</u>
Gain/(Loss) on disposal of assets	<u>(4,663)</u>	<u>-</u>	<u>(4,663)</u>
Income before contributions, transfers, and special items	<u>81,623</u>	<u>4,165</u>	<u>85,788</u>
Transfers in (out)	(23,955)	-	(23,955)
<b>Change in net position</b>	57,668	4,165	61,833
Net position as of June 30, 2021	<u>69,399</u>	<u>13,920</u>	<u>83,319</u>
<b>Net position as of June 30, 2022</b>	<u>\$ 127,067</u>	<u>\$ 18,085</u>	<u>\$ 145,152</u>



EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

Year ended June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 1,333	\$ -	\$ 1,333
Other activities	-	10,675	10,675
Cash paid to/for:			
Employees	(169,282)	(5,448)	(174,730)
Supplies	(171,500)	(754)	(172,254)
Net cash used in operating activities	(339,449)	4,473	(334,976)
<b>Cash flows from non-capital financing activities</b>			
Grants received	444,369	-	444,369
Transfer from (to) general fund	(23,955)	-	(23,955)
Net cash used in non-capital financing activities	420,414	-	420,414
<b>Cash flows from capital and related financing activities</b>			
Purchase of equipment	(37,013)	-	(37,013)
Net cash used in capital and related financing activities	(37,013)	-	(37,013)
<b>Cash flows from investing activities</b>			
Investment income	154	-	154
Net cash used in capital and related activities	154	-	154
Net increase/(decrease) in cash and cash equivalents	44,106	4,473	48,579
Cash and cash equivalents as of June 30, 2021	237,692	13,920	251,612
<b>Cash and cash equivalents as of June 30, 2022</b>	<b>\$ 281,798</b>	<b>\$ 18,393</b>	<b>\$ 300,191</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income/ (loss)	\$ (387,702)	\$ 4,165	\$ (383,537)
Adjustments to reconcile change in net position to net cash used in operating activities:			
(Increase)/decrease in accounts receivable	(18,454)	-	(18,454)
Increase/(decrease) in accounts payable	(2,442)	308	(2,134)
Net change in pension expense and OPEB expense	9,757	-	9,757
Donated commodities	29,465	-	29,465
Depreciation	29,927	-	29,927
<b>Net cash used in operating activities</b>	<b>\$ (339,449)</b>	<b>\$ 4,473</b>	<b>\$ (334,976)</b>
<b>Schedule of non-cash transactions:</b>			
Depreciation	\$ 29,927	\$ -	\$ 29,927
Donated commodities	29,465	-	29,465
<b>Total non-cash transactions</b>	<b>\$ 59,392</b>	<b>\$ -</b>	<b>\$ 59,392</b>

## 1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the East Bernstadt Independent Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic 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:

East Bernstadt Independent School District Finance Corporation – In a prior year, the East Bernstadt Independent Board of Education resolved to authorize the establishment of the East Bernstadt Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

**Government-wide Financial Statements** - The statement of net position and the statement of revenues, expenses, and changes in net position display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

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

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

**Fund Financial Statements** - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. 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.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### **I. Government Fund Types**

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards, if applicable in this report. This is a major fund of the District.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

I. Government Fund Types - continued

The Student Activity Fund is a special revenue fund that accounts for school activity fund revenues and expenditures.

Capital Projects 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). The Capital Projects Funds account for revenue and expenditures from three sources:

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) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Funds)

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

The After-School Child Care Fund accounts for the funds raised at schools providing after school care for children.

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

Basis of Accounting

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

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position proprietary funds 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 (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.575 per \$100 valuation for real property, \$.575 per \$100 valuation for business personal property and \$.457 per \$100 valuation for motor vehicles.

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

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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 activity's 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 \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, 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>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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.

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. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, 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.

### Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

### Cash and Cash Equivalents

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



## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Receivables

The District recognizes revenues as receivables when they are measurable, and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

### 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, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balances

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**Restricted** fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed** fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

**Assigned** fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

### Encumbrances

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 appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022, in the governmental funds balance sheet.

### Net Position

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

### Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District, those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

### Contributions of Capital

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

### Interfund Activity

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

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Estimates

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

### Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

### Pension and Other Postemployment Benefits

For purposes of measuring the net liabilities, the deferred outflows of resources and deferred inflows of resources, and expense related to pensions and other postemployment benefits (OPEB), information about the fiduciary net position of the pension / OPEB plans, and additions to / deductions from the pension / OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension / OPEB plans. For this purpose, revenues are recognized when earned. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts was further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

### Postemployment Benefits Other Than OPEBs (OPEB)

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

### Lease Accounting Standard

GASB State No. 87 *Leases* effective for fiscal year 2022, was issued to improve accounting and financial reporting for governments by establishing standards for leases that previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and intangible right to use the underlying asset and lessors to recognize a lease receivable and deferred inflow of resources. The District adopted the standard; however, it had no effect on the financial statements in the current year.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

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**3. CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2022 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Cumberland Valley National Bank	\$ 1,956,883	\$ 1,872,411
	<u>\$ 1,956,883</u>	<u>\$ 1,872,411</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,572,220
Proprietary funds	<u>300,191</u>
	<u>\$ 1,872,411</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- After School Child Care Fund
- Agency Funds

**4. INVESTMENTS**

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2022, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

**5. CAPITAL ASSETS**

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

	<u>June 30, 2021</u>			<u>June 30, 2022</u>
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land & land improvements	\$ 938,297	\$ 118,190	\$ 3,781	\$ 1,052,706
Buildings	14,577,033	1,635,993	-	16,213,026
Technology equipment	163,011	38,223	35,496	165,738
Vehicles	446,880	108,887	105,220	450,547
General equipment	88,714	99,269	16,174	171,809
Construction work in progress	1,459,908	157,185	1,617,093	-
Total historical cost	<u>17,673,843</u>	<u>2,157,747</u>	<u>1,777,764</u>	<u>18,053,826</u>
Less accumulated depreciation	<u>3,007,706</u>	<u>428,169</u>	<u>160,671</u>	<u>3,275,204</u>
Governmental capital assets, net	<u>\$ 14,666,137</u>	<u>\$ 1,729,578</u>	<u>\$ 1,617,093</u>	<u>\$ 14,778,622</u>
<b>Business-type Activities</b>				
Technology equipment	\$ 399	\$ -	\$ -	\$ 399
General equipment	<u>363,171</u>	<u>37,013</u>	<u>23,154</u>	<u>377,030</u>
Total historical cost	363,570	37,013	23,154	377,429
Less accumulated depreciation	<u>241,776</u>	<u>29,927</u>	<u>18,491</u>	<u>253,212</u>
Business-type capital assets, net	<u>\$ 121,794</u>	<u>\$ 7,086</u>	<u>\$ 4,663</u>	<u>\$ 124,217</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 8,039
Student support services	1,655
District administrative staff support	1,175
Plant operation and maintenance	375,232
Student transportation	<u>42,068</u>
	<u>\$ 428,169</u>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

**6. LONG-TERM DEBT**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the East Bernstadt Independent School District Finance Corporation.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2009	\$ 200,000	3.50% - 4.50%
2011	\$ 8,196,000	4.84%
2012	\$ 2,135,000	1.10% - 2.65%
2014	\$ 1,185,000	2.00% - 3.45%
2014	\$ 103,060	2.00% - 3.00%
2017	\$ 106,795	2.55%
2019	\$ 2,005,000	1.85% - 3.30%
2019	\$ 108,737	3.00%
2021	\$ 1,610,000	1.00% - 1.90%

**A. CAPITAL LEASES PAYABLE**

The District has entered into a capital lease agreement for buses and facilities which will become the property of the District when all terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2022:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance June 30, 2021</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
2014 Issue	3/1/2024	2.00%-3.00%	\$ 103,060	\$ 29,746	\$ -	\$ 10,817	\$ 18,929	\$ 9,314
2017 Issue	3/1/2027	2.55%	106,795	63,640	-	10,509	53,131	10,789
2019 Issue	3/1/2029	3.00%	108,737	85,357	-	10,417	74,940	10,710
			<u>\$ 318,592</u>	<u>\$ 178,743</u>	<u>\$ -</u>	<u>\$ 31,743</u>	<u>\$ 147,000</u>	<u>\$ 30,813</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022-23	30,813	4,148	34,961
2023-24	31,688	3,295	34,983
2024-25	22,680	2,394	25,074
2025-26	21,493	1,765	23,258
2026-29	40,326	1,988	42,314
	<u>\$ 147,000</u>	<u>\$ 13,590</u>	<u>\$ 160,590</u>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

**6. LONG-TERM DEBT - CONTINUED**

B. LONG-TERM OBLIGATIONS

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the East Bernstadt Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2022 for debt service (principal and interest) are as follows:

Year	East Bernstadt Independent School District		Kentucky School Facility Construction Commission		Federal Interest	Total Principal	Total Interest
	Principal	Interest	Principal	Interest			
2022-23	317,566	121,679	311,537	30,028	393,408	629,103	545,115
2023-24	321,936	116,363	317,167	28,722	393,408	639,103	538,493
2024-25	326,298	110,936	317,805	27,385	393,408	644,103	531,729
2025-26	330,643	105,052	318,460	26,029	393,408	649,103	524,489
2026-27	340,057	98,711	319,046	24,654	393,408	659,103	516,773
2027-28	344,172	92,161	319,931	23,159	393,408	664,103	508,728
2028-29	348,256	85,554	325,847	21,480	393,408	674,103	500,442
2029-30	355,638	78,803	323,465	19,731	393,408	679,103	491,942
2030-31	2,017,844	71,844	319,303	18,284	196,704	2,337,147	286,832
2031-32	266,166	63,846	68,834	17,128	-	335,000	80,974
2032-33	270,993	56,224	74,007	15,916	-	345,000	72,140
2033-34	250,711	49,928	94,289	14,509	-	345,000	64,437
2034-35	255,920	41,646	99,080	12,906	-	355,000	54,552
2035-36	263,035	35,771	96,965	11,306	-	360,000	47,077
2036-37	272,816	27,552	102,184	9,511	-	375,000	37,063
2037-38	282,583	18,685	107,417	7,425	-	390,000	26,110
2038-39	292,341	9,501	107,659	5,284	-	400,000	14,785
2039-40	-	-	105,000	3,088	-	105,000	3,088
2040-41	-	-	110,000	1,044	-	110,000	1,044
	<u>\$ 6,856,975</u>	<u>\$ 1,184,256</u>	<u>\$ 3,837,996</u>	<u>\$ 317,589</u>	<u>\$ 3,343,968</u>	<u>\$ 10,694,971</u>	<u>\$ 4,845,813</u>



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

**7. CHANGES IN LONG-TERM DEBT**

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2022 is as follows:

School Building Revenue Bonds	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
2009 Revenue	\$ 105,000	\$ -	\$ 10,000	\$ 95,000
2011 Building Revenue	5,099,074	-	344,103	4,754,971
2012 Revenue	1,655,000	-	110,000	1,545,000
2014 Revenue	935,000	-	45,000	890,000
2019 Revenue	1,915,000	-	50,000	1,865,000
2021 Revenue	1,610,000	-	65,000	1,545,000
Net Pension Liability	1,198,041	-	265,009	933,032
Net OPEB CERS Liability	377,055	-	96,952	280,103
Net OPEB KTRS Liability	883,000	-	90,000	793,000
Accrued Sick Leave	303,558	46,196	-	349,754
	<u>\$ 14,080,728</u>	<u>\$ 46,196</u>	<u>\$ 1,076,064</u>	<u>\$ 13,050,860</u>

**8. RETIREMENT PLANS**

The District's employees are provided with two pension plans, based on each position's college degree requirements as described below. The two pension plans are County Employees Retirement System and the Kentucky Teachers Retirement System.

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

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

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

*See table on next page*

**8. RETIREMENT PLANS - CONTINUED**

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement

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

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

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 26.95% of the employee's total compensation subject to contribution. The pension contribution rate was 21.17% and OPEBs contribution rate was 5.78%.

**General information about the Teachers' Retirement System of the State of Kentucky (KTRS)**

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (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 Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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/>

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

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

**8. RETIREMENT PLANS - CONTINUED**

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

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

*Contributions*—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

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

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS 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 Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 933,032
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>9,018,761</u>
	<u>\$ 9,951,793</u>

**8. RETIREMENT PLANS - CONTINUED**

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.015620%.

For the year ended June 30, 2022, the District recognized pension expense of \$107,523 related to CERS and \$759,490 related to KTRS. The District also recognized revenue of \$719,912 for KTRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,714	\$ 9,056
Changes of assumptions	12,522	-
Net difference between projected and actual earnings on pension plan investments	36,195	160,553
Changes in proportion and differences between District contributions and proportionate share of contributions	49,918	44,406
District contributions subsequent to the measurement date	<u>86,251</u>	<u>-</u>
Total	<u>\$ 195,600</u>	<u>\$ 214,015</u>

The \$86,251 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 9,718
2023	(45,972)
2024	(29,470)
2025	<u>(38,943)</u>
	<u>\$ (104,667)</u>

**8. RETIREMENT PLANS - CONTINUED**

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.50%
Payroll growth rate	2.00%	
Projected salary increases	3.3%-10.3%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%
Municipal bond index rate		2.13%
Single equivalent interest rate		7.10%

For KTRS, 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

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at 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 employees 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 2.13% 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.

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

*See table on next page*

**8. RETIREMENT PLANS - CONTINUED**

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 1,196,658	\$ 933,032	\$ 714,888
KTRS	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about the CERS and the KTRS pension plans fiduciary net position, projected benefits, and projected funding status is available in separately issued financial reports at <http://kyret.ky.gov/> and <https://gov.state.ky.us>, respectively.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2022, 2021, and 2019 was \$444,412, \$399,501, and \$370,656, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2022, 2021, and 2019 were \$129,839, \$111,283, and \$116,365, respectively. The District met their contribution requirements.

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN**

**General Information about the Kentucky Teachers' Retirement System of the State of Kentucky (TRS)**

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

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

**Medical Insurance Plan**

*Plan description*—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund 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.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
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Year Ended June 30, 2022

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To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued)**

*Funding policy*—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008, is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

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

At June 30, 2022, the District reported a liability of \$883,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was .036975%.

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

District's proportionate share of the KTRS net OPEB liability	\$ 793,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>644,000</u>
	<u>\$ 1,437,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$54,614 and revenue of \$54,614 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

*See table on next page*



**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 472,000
Changes of assumptions	207,000	-
Net difference between projected and actual earnings on pension plan investments	-	85,000
Changes in proportion and differences between District contributions and proportionate share of contributions	97,000	33,000
District contributions subsequent to the measurement date	<u>70,587</u>	<u>-</u>
<b>Total</b>	<u>\$ 374,587</u>	<u>\$ 590,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (77,000)
2023	\$ (77,000)
2024	\$ (71,000)
2025	\$ (66,000)
2026	\$ (10,000)
After 2026	<u>\$ 15,000</u>
	<u>\$ (286,000)</u>

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
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Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

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

*Discount rate* – The Discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 1,016,000	\$ 793,000	\$ 610,000

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability	\$ 700,000	\$ 883,000	\$ 1,108,000

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

**Life Insurance Plan**

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

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

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

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

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

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

District's proportionate share of the KTRS net OPEB Life Insurance Plan liability	\$ -
Commonwealth's proportionate share of the KTRS net OPEB Life Insurance liability associated with the District	21,000
	<u>\$ 21,000</u>

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

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

Discount rate – The Discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
State's proportionate share of net OPEB liability - Life Insuranc	\$ 10,475	\$ 9,000	\$ 7,889

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

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

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

*Benefits provided*—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

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

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

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

At June 30, 2022, the District reported a liability of \$280,103 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was .0146631%.

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

District's proportionate share of the CERS net pension liability	\$ 280,103
net OPEB liability	280,103
	<u>\$ 280,103</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$8,161. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

*See table next page*

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,046	\$ 83,629
Changes of assumptions	74,261	260
Net difference between projected and actual earnings on pension plan investments	14,112	57,931
Changes in proportion and differences between District contributions and proportionate share of contributions	28,179	24,659
District contributions subsequent to the measurement date	<u>21,272</u>	<u>-</u>
Total	<u>\$ 181,870</u>	<u>\$ 166,479</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$17,885 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 8,455
2023	\$ 1,795
2024	\$ 3,269
2025	\$ (19,399)
2026	<u>\$ -</u>
	<u>\$ (5,880)</u>

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

*Discount rate* – The Discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 384,580	\$ 280,103	\$ 194,363

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 201,641	\$ 280,103	\$ 374,808

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

**10. DEFERRED COMPENSATION**

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

**11. OPERATING LEASES**

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification® Topic 842, Leases.

**12. CONTINGENCIES**

*Grants* - 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 grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022 may be impaired. 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.



**12. CONTINGENCIES-CONTINUED**

*Property Taxes*— The District was made aware of a potential overpayment of tangible property taxes for the 2020 tax year due to the improper classification of finished goods inventory. The amount of the potential liability was determined to be \$169,148 and the district subsequently reached an agreement with the taxpayer to settle the overpayment with a one-time refund to the taxpayer of the overpaid taxes less 3% or \$164,073.57. This agreement was approved by the school board on October 20, 2022, and subsequently paid. The amount of the refund is reflected in the current year financial statements as an accounts payable.

**13. LITIGATION**

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

**14. RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

**15. DEFICIT FUND BALANCES**

The District did not have any funds with deficit balances at June 30, 2022. However, there may be funds with deficit operating balances.

**16. COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

**17. TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue	KETS Matching	\$ 10,122
Operating	General Fund	Food Service	Indirect Cost	\$ 2
Operating	Special Revenue	General Fund	Indirect Cost	\$ 35,560
Operating	Capital Outlay	General Fund	Capital Funds Request	\$ 45,412
Operating	Building	General Fund	Capital Funds Request	\$ 83,955
Operating	Building	Debt Service	Debt Service	\$ 536,192
Operating	Food Service	General Fund	Indirect Cost	\$ 23,957

**18. ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2022

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**18. ON-BEHALF PAYMENTS-CONTINUED**

The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	719,912
Health and life insurance contributions to the Teachers' Retirement System of Kentucky		54,614
Health and Life insurance		397,773
Other Less Federal		24,092
Technology		63,829
Debt Service		268,524
	<u>\$</u>	<u>1,528,744</u>

**19. FUND BALANCE DESIGNATIONS**

The following funds had nonspendable fund balances as follows:

Fund	Amount	Purpose
General	\$ 72,095	Prepaid expenses

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
School Activity	21,822	Other
Building Fund	6,734	Construction
Construction	70,975	Construction
Food Service	2,850	Food service operations
After School Child Care	18,085	Child care operations

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 13,005	Purchase obligations

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 104,926	Sick Leave

**20. INTERFUND PAYABLES**

At June 30, 2022, there were interfund receivables of \$86,076 in the General Fund and interfund payables of the same amount in the Special Revenue Funds in order to zero the cash balance in the Special Revenue Fund.

**21. PRIOR PERIOD ADJUSTMENT**

The beginning fund balance and beginning net position for governmental funds/government wide activities was decreased by \$164,073. The decrease is due to an overpayment of property tax received by the District and was due back to the original payee.

**22. COVID-19 PANDEMIC**

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District currently has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022. During the fiscal year, the following federal funds received due to COVID-19:

COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	\$ 15,876
COVID-19 Elementary and Secondary School Emergency Relief Fund	243,283
COVID-19 American Rescue Plan - Elementary and Secondary Emergency Relief Plan	<u>273,019</u>
	<u>\$ 532,178</u>

**23. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through November 10, 2022, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. However, in March 2021, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The pandemic is still ongoing as of the date of this audit report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 251,500	\$ 251,500	\$ 258,570	\$ 7,070
Motor vehicle	35,000	35,000	44,415	9,415
Utility	114,000	114,000	137,299	23,299
Earnings on investments	1,000	1,000	1,239	239
Other local	5,000	5,000	21,555	16,555
Intergovernmental - State	3,563,242	3,563,242	3,829,292	266,050
Intergovernmental - Federal	19,000	19,000	18,423	(577)
Total revenues	<u>3,988,742</u>	<u>3,988,742</u>	<u>4,310,793</u>	<u>322,051</u>
<b>Expenditures</b>				
Current:				
Instruction	2,547,521	2,547,521	2,661,296	(113,775)
Student	136,231	136,231	124,429	11,802
Instructional support	98,193	98,193	103,152	(4,959)
District administration	1,334,070	1,334,070	378,426	955,644
School administration	198,409	198,409	193,918	4,491
Business support	270,750	270,750	279,910	(9,160)
Plant operations and maintenance	402,335	402,335	336,242	66,093
Student transportation	181,534	181,534	156,314	25,220
Other instructional	20,604	20,604	16,129	4,475
Debt service	36,742	36,742	36,742	-
Total expenditures	<u>5,226,389</u>	<u>5,226,389</u>	<u>4,286,558</u>	<u>939,831</u>
Excess (deficit) of revenues over (under) expenditures	(1,237,647)	(1,237,647)	24,235	1,261,882
<b>Other financing sources (uses)</b>				
Sale of assets	-	-	1,463	1,463
Transfers in	27,307	27,307	188,884	161,577
Transfers out	(9,000)	(9,000)	(10,124)	(1,124)
Total other financing sources (uses)	<u>18,307</u>	<u>18,307</u>	<u>180,223</u>	<u>161,916</u>
<b>Net change in fund balance</b>	(1,219,340)	(1,219,340)	204,458	1,423,798
Fund balance as of June 30, 2021	<u>1,219,340</u>	<u>1,219,340</u>	<u>1,146,269</u>	<u>(73,071)</u>
<b>Fund balance as of June 30, 2022</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,727</u>	<u>\$ 1,350,727</u>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ -	\$ -	\$ 55,000	\$ 55,000
Intergovernmental - State	473,281	473,281	485,314	12,033
Intergovernmental - Federal	346,580	346,580	946,333	599,753
<b>Total revenues</b>	<b>819,861</b>	<b>819,861</b>	<b>1,486,647</b>	<b>666,786</b>
<b>Expenditures</b>				
Current:				
Instruction	474,864	474,864	820,820	(345,956)
Student support services	99,674	99,674	115,001	(15,327)
Instructional support	110,674	110,674	109,597	1,077
Business support	16,928	16,928	19,843	(2,915)
Plant operations & maintenance	42,481	42,481	104,670	(62,189)
Student transportation	15,118	15,118	56,280	(41,162)
Community service	61,520	61,520	62,199	(679)
Land improvement	-	-	172,799	(172,799)
<b>Total expenditures</b>	<b>821,259</b>	<b>821,259</b>	<b>1,461,209</b>	<b>(639,950)</b>
Excess (deficit) of revenues over (under) expenditures	(1,398)	(1,398)	25,438	26,836
<b>Other financing sources</b>				
Operating transfers in	8,464	8,464	10,122	1,658
Operating transfers out	(7,066)	(7,066)	(35,560)	(28,494)
<b>Total other financing sources</b>	<b>1,398</b>	<b>1,398</b>	<b>(25,438)</b>	<b>(26,836)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance as of June 30, 2021	-	-	-	-
<b>Fund balance as of June 30, 2022</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND  
Year ended June 30, 2022**

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The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
County Employees Retirement System  
June 30, 2022

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.014634%	\$ 933,032	\$ 401,329	232.49%	57.33%
2021	0.015620%	\$ 1,198,041	\$ 375,654	318.92%	47.81%
2020	0.012680%	\$ 971,123	\$ 409,034	237.42%	50.45%
2019	0.012680%	\$ 772,251	\$ 367,545	210.11%	53.54%
2018	0.014010%	\$ 820,048	\$ 325,776	251.72%	55.30%
2017	0.013280%	\$ 654,071	\$ 338,677	193.13%	55.50%
2016	0.013939%	\$ 599,314	\$ 346,546	172.94%	59.97%
2015	0.015750%	\$ 511,000	\$ 398,050	130.58%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS  
 County Employees Retirement System  
 Year ended June 30, 2022

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2022	\$ 86,251	\$ 86,251	\$ -	\$ 401,329	21.49%
2021	\$ 72,517	\$ 72,517	\$ -	\$ 375,654	19.30%
2020	\$ 78,944	\$ 78,944	\$ -	\$ 409,034	19.30%
2019	\$ 59,615	\$ 59,615	\$ -	\$ 367,545	16.22%
2018	\$ 47,172	\$ 47,172	\$ -	\$ 325,776	14.48%
2017	\$ 63,259	\$ 63,259	\$ -	\$ 338,677	18.68%
2016	\$ 56,958	\$ 56,958	\$ -	\$ 346,546	17.03%
2015	\$ 64,037	\$ 64,037	\$ -	\$ 391,321	17.67%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND  
Year ended June 30, 2022**

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Changes of Benefit Terms

None.

Changes of Assumptions

None.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
 County Employees Retirement System  
 June 30, 2022

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.014631%	\$ 280,103	\$ 401,329	69.79%	62.91%
2021	0.015615%	\$ 377,055	\$ 375,654	100.37%	51.67%
2020	0.012680%	\$ 232,177	\$ 409,034	56.76%	60.44%
2019	0.012680%	\$ 225,131	\$ 367,545	61.25%	57.52%
2018	0.014010%	\$ 281,649	\$ 325,776	86.45%	52.40%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement System

Year ended June 30, 2022

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2022	\$ 21,272	\$ 21,272	\$ -	\$ 401,329	4.76%
2021	\$ 17,885	\$ 17,885	\$ -	\$ 375,654	4.76%
2020	\$ 19,470	\$ 19,470	\$ -	\$ 409,034	4.76%
2019	\$ 19,332	\$ 19,332	\$ -	\$ 367,545	5.26%
2018	\$ 15,311	\$ 15,311	\$ -	\$ 325,776	4.70%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN  
Year ended June 30, 2022**

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Changes of Benefit Terms

None.

Changes of Assumptions

None

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Knox County School District  
Barbourville, Kentucky

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

We have audited Knox County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Knox County School District's major federal programs for the year ended June 30, 2022. The Knox County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Knox County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and the Uniform Guidance 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 Knox County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Responsibilities of Management for Compliance***

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

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

Our responsibility is to obtain reasonable assurance about whether material noncompliance with the with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Knox County School District's Compliance 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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and the Uniform Guidance 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 Knox County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

### **Report on Internal Control over Compliance**

Management of Knox County 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 Knox County School 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 the Uniform Guidance, 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 Knox County 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.

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

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

Cloyd & Associates, PSC  
London, Kentucky  
November 10, 2022

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Kentucky Teachers' Retirement System**

**Year ended June 30, 2022**

	<u>State's proportion of net pension liability (asset)</u>	<u>State's proportionate share of the net pension liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2022	100%	\$ 9,018,761	65.59%
2021	100%	\$ 9,259,413	58.27%
2020	100%	\$ 9,043,796	58.80%
2019	100%	\$ 8,456,986	59.30%
2018	100%	\$ 17,826,690	39.83%
2017	100%	\$ 19,805,487	35.22%
2016	100%	\$ 15,501,046	42.49%
2015	100%	\$ 13,573,212	45.59%



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATE CONTRIBUTIONS**

**Kentucky Teachers' Retirement System**

**June 30, 2022**

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$ 719,912	\$ 719,912	\$ -
2021	\$ 670,218	\$ 670,218	\$ -
2020	\$ 690,598	\$ 690,598	\$ -
2019	\$ 612,777	\$ 612,777	\$ -
2018	\$ 633,372	\$ 633,372	\$ -
2017	\$ 325,883	\$ 325,883	\$ -
2016	\$ 320,582	\$ 320,582	\$ -
2015	\$ 319,858	\$ 319,858	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Year ended June 30, 2022**

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Changes of Benefit Terms

None.

Changes of Assumptions

Inflation, changed from 3.00% to 2.50%

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 7.50% to 7.10%

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
 Kentucky Teachers' Retirement System  
 June 30, 2022

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.036975%	\$ 793,000	\$ 644,000	\$ 2,553,945	31.05%	51.74%
2021	0.034978%	\$ 883,000	\$ 707,000	\$ 2,369,481	37.27%	39.05%
2020	0.035079%	\$ 1,035,000	\$ 1,035,000	\$ 2,211,698	46.80%	32.58%
2019	0.035079%	\$ 1,159,000	\$ 999,000	\$ 2,241,670	51.70%	25.50%
2018	0.035079%	\$ 1,251,000	\$ 1,022,000	\$ 2,198,911	56.89%	21.18%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

For year ended June 30, 2022

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2022	\$ 76,618	\$ 76,618	\$ -	\$ 2,553,945	3.00%
2021	\$ 71,084	\$ 71,084	\$ -	\$ 2,369,481	3.00%
2020	\$ 66,351	\$ 66,351	\$ -	\$ 2,211,698	3.00%
2019	\$ 67,250	\$ 67,250	\$ -	\$ 2,241,670	3.00%
2018	\$ 65,967	\$ 65,967	\$ -	\$ 2,198,911	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

# EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Kentucky Teachers' Retirement System - Medical Insurance Plan

Year ended June 30, 2022

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#### Changes of Benefit Terms

None.

#### Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of OPEB expense, including inflation, changed from 8.00% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 8.00% to 7.10%

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY - LIFE INSURANCE PLAN**

**Kentucky Teachers' Retirement System  
June 30, 2022**

	<u>State's proportion of net OPEB liability (asset)</u>	<u>State's proportionate share of the net OPEB liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total OBEP liability</u>
2022	100%	\$ 9,000	89.15%
2021	100%	\$ 21,000	71.57%
2020	100%	\$ 19,000	73.40%
2019	100%	\$ 17,000	75.00%
2018	100%	\$ 14,000	79.99%

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN**

**Kentucky Teachers' Retirement System**

**Year ended June 30, 2022**

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$ 1,313	\$ 1,313	\$ -
2021	\$ 704	\$ 704	\$ -
2020	\$ 821	\$ 821	\$ -
2019	\$ 595	\$ 595	\$ -
2018	\$ 601	\$ 601	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

## EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN Year ended June 30, 2022

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#### Changes of Benefit Terms

None.

#### Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of OPEB expense, including inflation, changed from 7.50% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

**June 30, 2022**

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Total Non-major Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,767	\$ -	\$ 6,734	\$ 28,501
Accounts receivable	55	-	-	55
<b>Total assets</b>	<b>\$ 21,822</b>	<b>\$ -</b>	<b>\$ 6,734</b>	<b>\$ 28,556</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Restricted	21,822	-	6,734	28,556
<b>Total liabilities fund balances</b>	<b>\$ 21,822</b>	<b>\$ -</b>	<b>\$ 6,734</b>	<b>\$ 28,556</b>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
Year ended June 30, 2022**

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Total Non-major Governmental Funds
<b>Revenues</b>				
Taxes				
Property	\$ -	\$ -	\$ 99,222	\$ 99,222
Earnings on investments	14	-	-	14
Student activity revenue	57,754	-	-	57,754
Intergovernmental - State	-	45,412	524,733	570,145
	<u>57,768</u>	<u>45,412</u>	<u>623,955</u>	<u>727,135</u>
<b>Expenditures</b>				
Student activity expenditures	<u>61,234</u>	-	-	<u>61,234</u>
Total expenditures -	<u>61,234</u>	-	-	<u>61,234</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	(45,412)	(620,147)	(665,559)
Total other financing sources (uses)	-	(45,412)	(620,147)	(665,559)
<b>Net change in fund balance</b>	(3,466)	-	3,808	342
Fund balance as of June 30, 2021	<u>25,288</u>	-	<u>2,926</u>	<u>28,214</u>
<b>Fund balance as of June 30, 2022</b>	<u>\$ 21,822</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ 28,556</u>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS  
 Year Ended June 30, 2022**

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<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2022</u>	<u>Accounts Receivable June 30, 2022</u>	<u>Accounts Payable June 30, 2022</u>	<u>Balances June 30, 2022</u>
East Bernstadt Independent	\$ 25,224	\$ 58,797	\$ 62,254	\$ 21,767	\$ 55	\$ -	\$ 21,822
Totals	<u>\$ 25,224</u>	<u>\$ 58,797</u>	<u>\$ 62,254</u>	<u>\$ 21,767</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 21,822</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>Expenditures</b>			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002 20	\$ 2,429
Title I Grants to Local Educational Agencies	84.010	3100002 21	155,043
			<u>157,472</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027A	3810002 19	2,472
Special Education Grants to States	84.027A	3810002 20	9,621
Special Education Grants to States	84.027A	3810002 21	113,395
			<u>125,488</u>
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027X	4910002.21	14,509
			<u>14,509</u>
Special Education Preschool Grants	84.173A	3800002 20	1,435
Special Education Preschool Grants	84.173A	3800002 21	5,020
			<u>6,455</u>
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.173X	4920002.21	1,367
			<u>1,367</u>
<b>Total Special Education Cluster</b>			<u>147,819</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379X	100,058
			<u>100,058</u>
Rural Education	84.358	3140002 20	1,051
Rural Education	84.358	3140002 21	5,504
			<u>6,555</u>
Student Support and Academic Enrichment Grant	84.424	3420002 20	6,606
Student Support and Academic Enrichment Grant	84.424	3420002 21	11,221
			<u>17,827</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000003 20	700
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002.21	235,311
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200003.21	7,272
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	4300002.21	273,019
			<u>516,302</u>
<b>Total U.S. Department of Education</b>			<u>946,033</u>

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education:			
<i>Child Nutrition Cluster</i>			
School Breakfast Program (SBP)	10.553	7760005.21	19,242
School Breakfast Program (SBP)	10.553	7760005.22	66,358
National School Lunch Program (NSLP)	10.555	7750002.21	60,531
National School Lunch Program (NSLP)	10.555	7750002.22	251,320
National School Lunch Program (NSLP)	10.555	9980000.22	17,330
Non-Cash Assistance (Commodities) National School Lunch Program (NSLF)	10.555	57502.02	29,465
Summer Food Service Program for Children (SFSP)	10.559	7690024.21	481
Summer Food Service Program for Children (SFSP)	10.559	7740023.21	4,692
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>449,419</u>
State Administrative Expenses for Child Nutrition	10.560	7700001.21	961
			<u>961</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	9990000.21	614
			<u>614</u>
<b>Total U.S. Department of Agriculture</b>			<u>450,994</u>
<u>U.S. Department of Health and Human Services (HHS)</u>			
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001.19	300
<b>Total U.S. Department of Health and Human Services</b>			<u>300</u>
<b>Total federal expenditures</b>			<u>\$ 1,397,327</u>

**EAST BERNSTADT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2022

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the East Bernstadt Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2022 is \$29,465.

**3. CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

**4. - INDIRECT COST RATE**

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**5. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principle in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.



**Cloyd & Associates, PSC**  
Certified Public Accountants  
and  
Business Advisors

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

**Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
East Bernstadt Independent School District  
East Bernstadt, 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 *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Bernstadt Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise East Bernstadt Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2022.

**Internal Control over Financial Reporting**

Management of East Bernstadt Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered East Bernstadt Independent School 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Bernstadt Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Bernstadt Independent School District's internal control.

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

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

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**Cloyd & Associates, PSC**

*Certified Public Accountants  
and*

*Business Advisors*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Bernstadt Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

**Purpose of this Report**

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

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 10, 2022



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**Cloyd & Associates, PSC**

*Certified Public Accountants*

*and*

*Business Advisors*

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
East Bernstadt Independent School District  
Manchester, Kentucky

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

We have audited East Bernstadt Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of East Bernstadt Independent School District's major federal programs for the year ended June 30, 2022. The East Bernstadt 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.

In our opinion, East Bernstadt Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and the Uniform Guidance 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 East Bernstadt Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Responsibilities of Management for Compliance***

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

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

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

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

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

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

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 10, 2022

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended June 30, 2022

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
---	--------------------

COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D
---	---------

COVID-19 Governor’s Emergency Education Relief Fund	84.425C
--	---------

Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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(continued)

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year ended June 30, 2022

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
Year ended June 30, 2022

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Summary of Prior Year Findings

There were no findings during the prior year.



**MANAGEMENT LETTER COMMENTS**



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**Cloyd & Associates, PSC**

*Certified Public Accountants  
and  
Business Advisors*

Members of the Board of Education  
East Bernstadt Independent School District  
East Bernstadt, Kentucky

In planning and performing our audit of the basic financial statements of East Bernstadt Independent School District for the year ended June 30, 2022, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we did not note any matters we feel need reporting that are opportunities for strengthening internal controls and operating efficiency, this letter does not affect our report thereon dated November 10, 2022, on the basic financial statements of East Bernstadt Independent School District.

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 10, 2022



**Prior Year Comments – School Activity Funds**

There were no comments during the prior year.

**Current Year Comments – School Activity Funds**

There were no comments during the current year.