

**EAST BERNSTADT INDEPENDENT
SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023
with
REPORT OF INDEPENDENT AUDITORS**

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Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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 (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Bernstadt Independent School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 the *Independent Auditor's Contract*. 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 opinions.

Responsibilities of Management for the Financial Statements

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



Auditors' 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Bernstadt Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 14, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. 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 14, 2023

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2023

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, 2023. 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 ended the year with a cash balance of \$1,970,269 compared to \$1,872,411 in 2022.
- The District's General Fund recognized \$4,648,819 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 \$4,739,657 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 \$534,710 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 \$370,985.
- 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 \$514,786 and expenses of \$423,603, 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.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
Year Ended June 30, 2023

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, 2023

Fiscal year 2023 government-wide net position compared to 2022 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, 2023

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 2,296,819	\$ 2,266,956
Capital assets	14,578,036	14,902,839
Total Assets	<u>\$ 16,874,855</u>	<u>\$ 17,169,795</u>
Deferred outflow of resources	<u>\$ 1,274,742</u>	<u>\$ 752,057</u>
Current liabilities	\$ 1,051,261	\$ 1,212,801
Noncurrent liabilities	12,281,614	12,537,945
Total Liabilities	<u>\$ 13,332,875</u>	<u>\$ 13,750,746</u>
Deferred inflow of resources	<u>\$ 873,299</u>	<u>\$ 970,494</u>
Net investment in capital assets	\$ 4,395,981	\$ 4,060,868
Restricted net position	271,761	238,397
Unrestricted net position	(724,319)	(1,096,220)
Total net position	<u>\$ 3,943,423</u>	<u>\$ 3,203,045</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 \$3,726,949; proprietary assets exceeded liabilities by \$216,474 and total assets exceeded liabilities by \$3,943,423 at June 30, 2023.

The District had an overall increase in unrestricted net position of \$371,901, comprised of an increase in governmental activities unrestricted net position of \$371,901.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2023 and 2022.

See table on next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Revenues and other financing sources		
Local revenue sources	\$ 652,900	\$ 675,130
State revenue sources	5,527,820	5,153,275
Federal revenue	1,334,434	1,335,740
Total revenue	<u>7,515,154</u>	<u>7,164,145</u>
Expenditures and other financing uses		
Instruction	3,811,737	3,482,116
Student support services	204,948	239,430
Instructional support	295,183	212,749
District administration	441,301	378,426
School administration	221,762	193,918
Business operations	345,988	299,753
Plant operation and maintenance	429,375	440,912
Student transportation	120,882	212,594
Other instructional	9,909	16,129
Student activity expenditures	69,258	61,234
Community services	70,134	62,199
Land improvement	-	172,799
Building acquisition and construction	110,695	166,001
Debt service	1,209,180	1,212,442
Total expenditures	<u>7,340,352</u>	<u>7,150,702</u>
Excess revenues (expenditures)	<u>\$ 174,802</u>	<u>\$ 13,443</u>
Other financing sources (uses)		
Proceeds from disposal of assets	\$ -	\$ 1,463
Transfers in	857,044	735,198
Transfers out	(836,281)	(711,243)
Total other financing sources (uses)	<u>\$ 20,763</u>	<u>\$ 25,418</u>
Net change in fund balance	<u>\$ 195,565</u>	<u>\$ 38,861</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 \$1,035,995 in contingency.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2023 were \$4,648,819 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 \$478,373 or 11% in excess of the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2023 was \$4,739,657, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$659,295 or 12% less than budgeted. Of this, a contingency of \$1,035,995, 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, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,568,952	\$ 401,317	\$ 1,970,269
Accounts receivable:			
Taxes	19,615	-	19,615
Local	2,382	-	2,382
Intergovernmental - Federal	291,923	669	292,592
Prepaid expenditures	11,961	-	11,961
Capital Assets, net			
Nondepreciable	283,343	-	283,343
Depreciable	14,160,730	133,963	14,294,693
Total assets	16,338,906	535,949	16,874,855
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows- CERS PENSION	184,859	63,741	248,600
Deferred outflows from OPEB - CERS	119,595	41,237	160,832
Deferred outflows from OPEB - KTRS	865,310	-	865,310
	<u>1,169,764</u>	<u>104,978</u>	<u>1,274,742</u>
LIABILITIES			
Accounts payable	5,619	595	6,214
Accrued expense	67,082	-	67,082
Unearned revenue	176,309	-	176,309
Current portion of capital lease obligations	31,688	-	31,688
Current maturities of bond obligations	639,103	-	639,103
Current maturities of accumulated sick leave	66,228	-	66,228
Interest payable	64,637	-	64,637
Net pension liability - CERS	782,081	269,668	1,051,749
Net OPEB - CERS liability	213,463	73,604	287,067
Net OPEB - KTRS liability	1,277,000	-	1,277,000
Noncurrent portion of capital lease obligations	84,499	-	84,499
Noncurrent maturities of bond obligations	9,426,765	-	9,426,765
Noncurrent portion of accumulated sick leave	154,534	-	154,534
Total liabilities	12,989,008	343,867	13,332,875
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - CERS PENSION	111,716	38,521	150,237
Deferred inflows from OPEB - CERS	121,997	42,065	164,062
Deferred inflows from OPEB - KTRS	559,000	-	559,000
	<u>792,713</u>	<u>80,586</u>	<u>873,299</u>
NET POSITION			
Net investment in capital assets	4,262,018	133,963	4,395,981
Restricted for:			
Capital expenditures	104,456	-	104,456
Other	84,794	82,511	167,305
Unrestricted	(724,319)	-	(724,319)
Total net position	\$ 3,726,949	\$ 216,474	\$ 3,943,423

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	\$ 3,508,092	\$ -	\$ 790,369	\$ -	\$ (2,717,723)	\$ -	\$ (2,717,723)
Student support	226,694	-	51,074	-	(175,620)	-	(175,620)
Instructional staff support	295,471	-	66,569	-	(228,902)	-	(228,902)
District administrative support	443,064	-	99,822	-	(343,242)	-	(343,242)
School administrative support	221,762	-	49,963	-	(171,799)	-	(171,799)
Business support	345,988	-	77,951	-	(268,037)	-	(268,037)
Plant operations and maintenance	824,643	-	185,791	-	(638,852)	-	(638,852)
Student transportation	162,950	-	36,712	-	(126,238)	-	(126,238)
Food service operations	9,909	-	-	-	(9,909)	-	(9,909)
Community service operations	70,134	-	-	-	(70,134)	-	(70,134)
Other instructional	69,258	-	33,637	-	(35,621)	-	(35,621)
Buildings acquisition & construction	110,695	-	24,940	-	(85,755)	-	(85,755)
Interest on long-term debt	578,201	-	-	1,260,111	681,910	-	681,910
Total governmental activities	6,866,861	-	1,416,828	1,260,111	(4,189,922)	-	(4,189,922)
Business-type activities							
Food service	423,603	16,754	493,215	-	-	86,366	86,366
After school child care	8,183	9,374	-	-	-	1,191	1,191
Total business-type activities	431,786	26,128	493,215	-	-	87,557	87,557
Total primary government	\$ 7,298,647	\$ 26,128	\$ 1,910,043	\$ 1,260,111	(4,189,922)	87,557	(4,102,365)
			General revenues				
			Taxes:				
Other non-instructional					322,931	-	322,931
					46,254	-	46,254
					137,787	-	137,787
					21,680	4,817	26,497
					4,185,315	-	4,185,315
					124,248	-	124,248
					-	(289)	(289)
					20,763	(20,763)	-
					4,858,978	(16,235)	4,842,743
					669,056	71,322	740,378
					3,057,893	145,152	3,203,045
					\$ 3,726,949	\$ 216,474	\$ 3,943,423

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2023

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,375,522	\$ -	\$ 4,285	\$ 189,145	\$ 1,568,952
Accounts receivable:					
Taxes	19,615	-	-	-	19,615
Local	2,277	-	-	105	2,382
Intergovernmental federal	-	291,923	-	-	291,923
Interfund receivable	114,681	-	-	-	114,681
Prepaid expenditures	11,961	-	-	-	11,961
Total assets	\$ 1,524,056	\$ 291,923	\$ 4,285	\$ 189,250	\$ 2,009,514
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,686	\$ 933	\$ -	\$ -	\$ 5,619
Accrued expense	67,082	-	-	-	67,082
Interfund payable	-	114,681	-	-	114,681
Unearned revenue	-	176,309	-	-	176,309
Total liabilities	71,768	291,923	-	-	363,691
Fund balances					
Nonspendable	11,961	-	-	-	11,961
Restricted	-	-	4,285	189,250	193,535
Committed	66,228	-	-	-	66,228
Assigned	18,330	-	-	-	18,330
Unassigned	1,355,769	-	-	-	1,355,769
Total fund balances	1,452,288	-	4,285	189,250	1,645,823
Total liabilities and fund balances	\$ 1,524,056	\$ 291,923	\$ 4,285	\$ 189,250	\$ 2,009,514

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

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

June 30, 2023

Total fund balances - governmental funds	\$ 1,645,823
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.	14,444,073
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.	1,169,764
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.	(10,065,868)
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.	(116,187)
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.	(220,762)
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.	(2,272,544)
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.	(792,713)
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>(64,637)</u>
Total net position - governmental activities	<u>\$ 3,726,949</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2023**

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes					
Property	\$ 205,115	\$ -	\$ -	\$ 117,816	322,931
Motor vehicle	46,254	-	-	-	46,254
Utility	137,787	-	-	-	137,787
Earnings on investments	20,437	-	-	1,243	21,680
Other local	27,198	10,711	-	-	37,909
Student activity revenue	-	-	-	86,339	86,339
Intergovernmental - State	4,185,315	454,311	268,525	619,669	5,527,820
Intergovernmental - Federal	26,713	935,804	371,917	-	1,334,434
Total revenues	<u>4,648,819</u>	<u>1,400,826</u>	<u>640,442</u>	<u>825,067</u>	<u>7,515,154</u>
Expenditures					
Current:					
Instruction	3,035,029	776,708	-	-	3,811,737
Student	98,762	106,186	-	-	204,948
Instructional support	114,361	180,822	-	-	295,183
District administration	441,301	-	-	-	441,301
School administration	221,762	-	-	-	221,762
Business support	308,556	37,432	-	-	345,988
Plant operations and maintenance	362,349	67,026	-	-	429,375
Student transportation	112,667	8,215	-	-	120,882
Other instructional	9,909	-	-	-	9,909
Student activity expenditures	-	-	-	69,258	69,258
Community services	-	70,134	-	-	70,134
Buildings acquisition & construction	-	-	-	110,695	110,695
Debt service	34,961	-	1,174,219	-	1,209,180
Total expenditures	<u>4,739,657</u>	<u>1,246,523</u>	<u>1,174,219</u>	<u>179,953</u>	<u>7,340,352</u>
Excess (deficit) of revenues over (under) expenditures	(90,838)	154,303	(533,777)	645,114	174,802
Other financing sources (uses)					
Transfers in	201,937	9,538	538,062	107,507	857,044
Transfers out	(9,538)	(163,841)	-	(662,902)	(836,281)
Total other financing sources (uses)	<u>192,399</u>	<u>(154,303)</u>	<u>538,062</u>	<u>(555,395)</u>	<u>20,763</u>
Net change in fund balance	101,561	-	4,285	89,719	195,565
Fund balance as of June 30, 2022	<u>1,350,727</u>	<u>-</u>	<u>-</u>	<u>99,531</u>	<u>1,450,258</u>
Fund balance as of June 30, 2023	<u>\$ 1,452,288</u>	<u>\$ -</u>	<u>\$ 4,285</u>	<u>\$ 189,250</u>	<u>\$ 1,645,823</u>

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, 2023

Net change in total fund balances - governmental funds	\$ 195,565
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.	(334,549)
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.	659,916
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.	1,876
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities.	17,256
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.	<u>128,992</u>
Change in net position - governmental activities	<u>\$ 669,056</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS
 June 30, 2023

	Food Service Fund	After School Child Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 382,041	\$ 19,276	\$ 401,317
Accounts receivable	669	-	669
Total current assets	382,710	19,276	401,986
Noncurrent assets			
Capital assets	415,948	-	415,948
Less accumulated depreciation	(281,985)	-	(281,985)
Total noncurrent assets	133,963	-	133,963
Total assets	516,673	19,276	535,949
Deferred outflow of resources			
Deferred outflows from pensions	63,741	-	63,741
Deferred outflows from OPEB	41,237	-	41,237
	<u>104,978</u>	<u>-</u>	<u>104,978</u>
LIABILITIES			
Current liabilities			
Accounts payable	595	-	595
Noncurrent liabilities			
Net pension liability	269,668	-	269,668
Net OPEB liability	73,604	-	73,604
Total liabilities	343,867	-	343,867
Deferred inflow of resources			
Deferred pension inflows from pensions	38,521	-	38,521
Deferred pension inflows from OPEB	42,065	-	42,065
	<u>80,586</u>	<u>-</u>	<u>80,586</u>
NET POSITION			
Net investment in capital assets	133,963	-	133,963
Restricted for:			
Other	63,235	19,276	82,511
Unrestricted	-	-	-
Total net position	\$ 197,198	\$ 19,276	\$ 216,474

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2023**

	Food Service Fund	After School Child Care Fund	Total
Operating revenues			
Lunchroom sales	\$ 16,302	\$ -	\$ 16,302
Other	452	9,374	9,826
Total operating revenues	<u>16,754</u>	<u>9,374</u>	<u>26,128</u>
Operating expenses			
Salaries and wages	108,452	5,660	114,112
Employee benefits	64,010	1,467	65,477
Materials and supplies	219,476	1,056	220,532
Other	1,200	-	1,200
Depreciation	30,465	-	30,465
Total operating expenses	<u>423,603</u>	<u>8,183</u>	<u>431,786</u>
Operating income/(loss)	<u>(406,849)</u>	<u>1,191</u>	<u>(405,658)</u>
Nonoperating revenues			
Federal grants	442,185	-	442,185
State grants	22,843	-	22,843
Earnings on investments	4,817	-	4,817
Donated commodities	28,187	-	28,187
Total nonoperating revenues/(expenses)	<u>498,032</u>	<u>-</u>	<u>498,032</u>
Gain/(Loss) on disposal of assets	<u>(289)</u>	<u>-</u>	<u>(289)</u>
Income before contributions, transfers, and special items	<u>90,894</u>	<u>1,191</u>	<u>92,085</u>
Transfers in (out)	(20,763)	-	(20,763)
Change in net position	70,131	1,191	71,322
Net position as of June 30, 2022	<u>127,067</u>	<u>18,085</u>	<u>145,152</u>
Net position as of June 30, 2023	<u>\$ 197,198</u>	<u>\$ 19,276</u>	<u>\$ 216,474</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 Year ended June 30, 2023

	Food Service Fund	After School Child Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 49,549	\$ -	\$ 49,549
Other activities	-	9,374	9,374
Cash paid to/for:			
Employees	(179,519)	(7,127)	(186,646)
Supplies	(178,369)	(1,364)	(179,733)
Net cash used in operating activities	<u>(308,339)</u>	<u>883</u>	<u>(307,456)</u>
Cash flows from non-capital financing activities			
Grants received	465,028	-	465,028
Transfer from (to) general fund	(20,763)	-	(20,763)
Net cash used in non-capital financing activities	<u>444,265</u>	<u>-</u>	<u>444,265</u>
Cash flows from capital and related financing activities			
Purchase of equipment	(40,500)	-	(40,500)
Net cash used in capital and related financing activities	<u>(40,500)</u>	<u>-</u>	<u>(40,500)</u>
Cash flows from investing activities			
Investment income	4,817	-	4,817
Net cash used in capital and related activities	<u>4,817</u>	<u>-</u>	<u>4,817</u>
Net increase/(decrease) in cash and cash equivalents	100,243	883	101,126
Cash and cash equivalents as of June 30, 2022	<u>281,798</u>	<u>18,393</u>	<u>300,191</u>
Cash and cash equivalents as of June 30, 2023	<u>\$ 382,041</u>	<u>\$ 19,276</u>	<u>\$ 401,317</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	\$ (406,849)	\$ 1,191	\$ (405,658)
Adjustments to reconcile change in net position to net cash used in operating activities:			
(Increase)/decrease in accounts receivable	32,795	-	32,795
Increase/(decrease) in accounts payable	6	(308)	(302)
Net change in pension expense and OPEB expense	7,057	-	7,057
Donated commodities	28,187	-	28,187
Depreciation	30,465	-	30,465
Net cash used in operating activities	<u>\$ (308,339)</u>	<u>\$ 883</u>	<u>\$ (307,456)</u>
Schedule of non-cash transactions:			
Depreciation	\$ 30,465	\$ -	\$ 30,465
Donated commodities	28,187	-	28,187
Total non-cash transactions	<u>\$ 58,652</u>	<u>\$ -</u>	<u>\$ 58,652</u>

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.

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, 2023, to finance the General Fund operations were \$.464 per \$100 valuation for real property, \$.464 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 4% 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

Right-of-Use Assets

The District has recorded right of use lease assets as a result of implementing GASB 87, *Leases*, which established standards for leases that were previously classified as operating leases. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

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.

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

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.

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, 2023, 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

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.

Other Postemployment Benefits (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.

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, 2023, 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, 2023, consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Cumberland Valley National Bank	\$ 2,076,164	\$ 1,970,269
	<u>\$ 2,076,164</u>	<u>\$ 1,970,269</u>

3. CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,568,952
Proprietary funds	<u>401,317</u>
	<u>\$ 1,970,269</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
- Student Activity Fund

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, 2023, 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.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

5. CAPITAL ASSETS

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

See table on next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2023

5. CAPITAL ASSETS - CONTINUED

	June 30, 2022			June 30, 2023
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 1,052,706	\$ -	\$ -	\$ 1,052,706
Buildings	16,213,026	120,857	13,500	16,320,383
Technology equipment	165,738	22,088	5,361	182,465
Vehicles	450,547	-	-	450,547
General equipment	171,809	-	24,833	146,976
Construction work in progress	-	110,696	110,696	-
Total historical cost	<u>18,053,826</u>	<u>253,641</u>	<u>154,390</u>	<u>18,153,077</u>
Less accumulated depreciation	<u>3,275,204</u>	<u>470,159</u>	<u>36,359</u>	<u>3,709,004</u>
Governmental capital assets, net	<u>\$ 14,666,137</u>	<u>\$ (216,518)</u>	<u>\$ 118,031</u>	<u>\$ 14,444,073</u>
Business-type Activities				
Buildings	\$ -	\$ 40,500	\$ -	\$ 40,500
Technology equipment	399	-	-	399
General equipment	<u>377,030</u>	<u>-</u>	<u>1,981</u>	<u>375,049</u>
Total historical cost	<u>377,429</u>	<u>40,500</u>	<u>1,981</u>	<u>415,948</u>
Less accumulated depreciation	<u>253,212</u>	<u>30,465</u>	<u>1,692</u>	<u>281,985</u>
Business-type capital assets, net	<u>\$ 124,217</u>	<u>\$ 10,035</u>	<u>\$ 289</u>	<u>\$ 133,963</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	\$ 9,026
Student support services	21,746
Instructional staff support services	288
District administrative staff support	1,763
Plant operation and maintenance	395,268
Student transportation	<u>42,068</u>
	<u>\$ 470,159</u>

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:

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2023

6. LONG-TERM DEBT – CONTINUED

<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, 2023:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance June 30, 2022</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
2014 Issue	3/1/2024	2.00%-3.00%	\$ 103,060	\$ 18,929	\$ -	\$ 9,314	\$ 9,615	\$ 9,615
2017 Issue	3/1/2027	2.55%	106,795	53,131	-	10,789	42,342	11,069
2019 Issue	3/1/2029	3.00%	108,737	74,940	-	10,710	64,230	11,004
			<u>\$ 318,592</u>	<u>\$ 178,743</u>	<u>\$ -</u>	<u>\$ 30,813</u>	<u>\$ 116,187</u>	<u>\$ 31,688</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-24	\$ 31,688	\$ 3,295	\$ 34,983
2024-25	22,680	2,394	25,074
2025-26	21,493	1,765	23,258
2026-27	22,105	1,164	23,269
2027-28	8,980	412	9,392
2028-29	9,241	277	9,518
	<u>\$ 116,187</u>	<u>\$ 9,307</u>	<u>\$ 125,494</u>

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.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2023

6. LONG-TERM DEBT – CONTINUED

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, 2023, 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			
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>\$ 6,539,409</u>	<u>\$ 1,062,577</u>	<u>\$ 3,526,459</u>	<u>\$ 287,561</u>	<u>\$ 2,950,560</u>	<u>\$ 10,065,868</u>	<u>\$ 4,300,698</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2023

7. CHANGES IN LONG-TERM DEBT

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2023, is as follows:

School Building Revenue Bonds	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
2009 Revenue	\$ 95,000	\$ -	\$ 10,000	\$ 85,000
2011 Building Revenue	4,754,971	-	344,103	4,410,868
2012 Revenue	1,545,000	-	115,000	1,430,000
2014 Revenue	890,000	-	45,000	845,000
2019 Revenue	1,865,000	-	50,000	1,815,000
2021 Revenue	1,545,000	-	65,000	1,480,000
Net Pension Liability	933,032	118,717	-	1,051,749
Net OPEB CERS Liability	280,103	6,964	-	287,067
Net OPEB KTRS Liability	793,000	484,000	-	1,277,000
Accrued Sick Leave	349,754	-	195,220	154,534
	<u>\$ 14,080,728</u>	<u>\$ 609,681</u>	<u>\$ 824,323</u>	<u>\$ 12,836,218</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 26.79% of the employee's total compensation subject to contribution. The pension contribution rate was 23.40% and OPEBs contribution rate was 3.39%.

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—TRS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees become vested when they complete five (5) years of credited service. For retirement purposes, employees are grouped into four tiers, based on hire date:

8. RETIREMENT PLANS - CONTINUED

TRS 1	Participation Date	Before July 1, 2002
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used
TRS 2	Participation Date	July 1, 2002 – June 30, 2008
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.0 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
TRS 3	Participation Date	July 1, 2008 – December 31, 2022
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 10 years service and 55 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 30%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used
TRS 4	Participation Date	On or after January 1, 2022 – December 31, 2022
	Unreduced retirement	Age 57 with 30 years service or at least 10 years service and 60 years old or at least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 57 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 18%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 2.2 – 2.4% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries

KTRS also provides disability benefits for vested employees at a rate of sixty (60) percent of their 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 in TRS 1, TRS 2, and TRS 3 are required to contribute 12.855% of their salaries to the System. Non-university employees in TRS 4 are required to contribute 14.750% 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 in TRS 1 and TRS 2, 14.105% and 14.105% of salaries for local school district and regional cooperative employees in TRS 3, and 10.750% of salaries for local school district and regional cooperative employees in TRS 4.

8. RETIREMENT PLANS - CONTINUED

For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries for employees in TRS 1 And TRS 2, 17.105% of salaries for employees in TRS 3, and 10.750% of salaries for employees in TRS 4. 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, 2023, 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	\$ 1,051,749
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>12,117,597</u>
	<u>\$ 13,169,346</u>

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2022, the District's proportion was 0.014549%.

For the year ended June 30, 2023, the District recognized pension expense of \$1,939 related to CERS and \$1,105,621 related to KTRS. The District also recognized revenue of \$1,105,621 for KTRS support provided by the Commonwealth. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See table on next page

8. RETIREMENT PLANS – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,124	\$ 9,366
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	143,112	116,149
Changes in proportion and differences between District contributions and proportionate share of contributions	5,209	24,722
District contributions subsequent to the measurement date	<u>99,155</u>	<u>-</u>
Total	<u>\$ 248,600</u>	<u>\$ 150,237</u>

The \$99,155 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, 2023. 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>	
2023	\$ (19,331)
2024	(2,499)
2025	(8,838)
2026	<u>29,876</u>
	<u>\$ (792)</u>

Actuarial assumptions—The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.50%	2.75%
Projected salary increases	3.30%-10.30%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%
Municipal bond index rate		3.37%
Single equalivant 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.

8. RETIREMENT PLANS - CONTINUED

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 6.25%. 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 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.37% was applied to all periods of projected benefit payments after 2039. 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:

	<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	\$ 1,314,556	\$ 1,051,749	\$ 834,386
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, 2023, 2022, and 2021 was \$84,310, \$70,587, and \$71,084, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2023, 2022, and 2021 were \$113,304, \$129,839, and \$111,283, 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.

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. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, 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, 2023, the District reported a liability of \$1,277,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was .051443%.

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:

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2023

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

District's proportionate share of the KTRS net OPEB liability	\$ 1,277,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>420,000</u>
	<u>\$ 1,697,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,017 and revenue of \$24,017 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 537,000
Changes of assumptions	259,000	-
Net difference between projected and actual earnings on pension plan investments	68,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	454,000	22,000
District contributions subsequent to the measurement date	<u>84,310</u>	<u>-</u>
Total	<u>\$ 865,310</u>	<u>\$ 559,000</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:

Year ended June 30:	
2024	\$ (2,000)
2025	5,000
2026	12,000
2027	92,000
2028	84,000
After 2028	<u>31,000</u>
	<u>\$ 222,000</u>

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B	6.97% for FY 2022 with an ultimate rate of 4.50% by FYE 2034
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

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	\$ 1,602,000	\$ 1,277,000	\$ 1,008,000

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	\$ 957,000	\$ 1,277,000	\$ 1,675,000

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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.

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, 2023, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability 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>
	<u>\$ 21,000</u>

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

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	3.37%
Discount Rate	7.10%
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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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 Insurance	\$ 26,918	\$ 21,000	\$ 16,021

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, 2023, the District reported a liability of \$287,067 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was .014546%.

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	\$	287,067
net OPEB liability		
	\$	<u>287,067</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$25,585. At June 30, 2023, 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	\$ 28,896	\$ 65,831
Changes of assumptions	45,402	37,411
Net difference between projected and actual earnings on pension plan investments	53,455	41,804
Changes in proportion and differences between District contributions and proportionate share of contributions	18,930	19,016
District contributions subsequent to the measurement date	<u>14,149</u>	<u>-</u>
Total	<u>\$ 160,832</u>	<u>\$ 164,062</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$14,149 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2023	\$ 449
2024	1,929
2025	(20,646)
2026	889
2027	-
	<u>\$ (17,379)</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 5.70%. 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 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 383,763	\$ 287,067	\$ 207,132

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	\$ 213,428	\$ 287,067	\$ 375,494

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, 2023, 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.

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 *Litigation* 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, 2023. 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	\$ 9,538
Operating	Special Revenue	General Fund	Indirect Cost	\$ 61,689
Operating	Special Revenue	Construction	Construction	\$ 102,152
Operating	Building	Construction	Construction	\$ 5,355
Operating	Building	General Fund	Capital Funds	\$ 119,485
Operating	Building	Debt Service	Debt Service	\$ 538,062
Operating	Food Service	General Fund	Indirect Cost	\$ 20,763

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.

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

See table on next page

18. ON-BEHALF PAYMENTS -CONTINUED

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	1,105,621
Health and life insurance contributions to the Teachers' Retirement System of Kentucky		24,017
Health and Life insurance		452,289
Other Less Federal		(6,985)
Technology		76,041
Debt Service		268,525
	<u>\$</u>	<u>1,919,508</u>

19. FUND BALANCE DESIGNATIONS

The following funds had nonspendable fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 11,961	Prepaid expenses

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
School Activity	\$ 39,382	Activity Funds
Capital Outlay	\$ 45,412	Capital Outlay
Building Fund	\$ 35,905	Construction
Construction	\$ 68,551	Construction
Debt Service	\$ 4,285	Debt service
Food Service	\$ 63,235	Food service operations
After School Child Care	\$ 19,276	Child care operations

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 18,330	Purchase obligations

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 66,228	Sick Leave

20. INTERFUND PAYABLES

At June 30, 2023, there were interfund receivables of \$114,681 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. COVID-19 PANDEMIC

In March 2021, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. In May 2023, the World Health Organization announced the end of the emergency phase of COVID-19.

The World Health Organization continues to coordinate the global response to COVID-19. This pandemic is still ongoing as of the date of the audit report. 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.

During the fiscal year, the District expended \$429,443 in federal awards under the COVID-19 Elementary and Secondary School Emergency Relief Fund.

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 14, 2023, 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.

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 263,000	\$ 263,000	\$ 205,115	\$ (57,885)
Motor vehicle	37,000	37,000	46,254	9,254
Utility	125,000	125,000	137,787	12,787
Earnings on investments	1,000	1,000	20,437	19,437
Other local	5,000	5,000	27,198	22,198
Intergovernmental - State	3,722,446	3,722,446	4,185,315	462,869
Intergovernmental - Federal	17,000	17,000	26,713	9,713
Total revenues	4,170,446	4,170,446	4,648,819	478,373
Expenditures				
Current:				
Instruction	2,658,377	2,658,377	3,035,029	(376,652)
Student	103,196	103,196	98,762	4,434
Instructional support	105,148	105,148	114,361	(9,213)
District administration	1,454,427	1,454,427	441,301	1,013,126
School administration	209,199	209,199	221,762	(12,563)
Business support	273,708	273,708	308,556	(34,848)
Plant operations and maintenance	411,707	411,707	362,349	49,358
Student transportation	127,829	127,829	112,667	15,162
Other instructional	12,400	12,400	9,909	2,491
Debt service	34,961	34,961	34,961	-
Total expenditures	5,390,952	5,390,952	4,739,657	651,295
Excess (deficit) of revenues over (under) expenditures	(1,220,506)	(1,220,506)	(90,838)	1,129,668
Other financing sources (uses)				
Transfers in	30,042	30,042	201,937	171,895
Transfers out	(9,536)	(9,536)	(9,538)	(2)
Total other financing sources (uses)	20,506	20,506	192,399	171,893
Net change in fund balance	(1,200,000)	(1,200,000)	101,561	1,301,561
Fund balance as of June 30, 2022	1,200,000	1,200,000	1,350,727	150,727
Fund balance as of June 30, 2023	\$ -	\$ -	\$ 1,452,288	\$ 1,452,288

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues				
From local sources:				
Other local	\$ -	\$ -	\$ 10,711	\$ 10,711
Intergovernmental - State	435,541	435,541	454,311	18,770
Intergovernmental - Federal	449,186	449,186	935,804	486,618
Total revenues	<u>884,727</u>	<u>884,727</u>	<u>1,400,826</u>	<u>516,099</u>
Expenditures				
Current:				
Instruction	438,128	438,128	776,708	(338,580)
Student support services	116,008	116,008	106,186	9,822
Instructional support	175,946	175,946	180,822	(4,876)
Business support	27,317	27,317	37,432	(10,115)
Plant operations & maintenance	37,957	37,957	67,026	(29,069)
Student transportation	17,739	17,739	8,215	9,524
Community service	70,450	70,450	70,134	316
Total expenditures	<u>883,545</u>	<u>883,545</u>	<u>1,246,523</u>	<u>(362,978)</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,182</u>	<u>1,182</u>	<u>154,303</u>	<u>153,121</u>
Other financing sources				
Operating transfers in	9,000	9,000	9,538	538
Operating transfers out	(10,182)	(10,182)	(163,841)	(153,659)
Total other financing sources	<u>(1,182)</u>	<u>(1,182)</u>	<u>(154,303)</u>	<u>(153,121)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND

Year ended June 30, 2023

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, 2023

	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
2023	0.014549%	\$ 1,051,749	\$ 422,865	248.72%	52.42%
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%
2016	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, 2023

	<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>
2023	\$ 99,155	\$ 99,155	\$ -	\$ 422,865	23.40%
2022	\$ 86,251	\$ 86,251	\$ -	\$ 401,329	21.17%
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, 2023**

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, 2023

	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
2023	0.014546%	\$ 287,067	\$ 422,865	67.89%	60.95%
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%	57.62%
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, 2023

	<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>
2023	\$ 14,149	\$ 14,149	\$ -	\$ 422,865	3.39%
2022	\$ 21,272	\$ 21,272	\$ -	\$ 401,329	5.78%
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, 2023**

Changes of Benefit Terms

None.

Changes of Assumptions

Single discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70%.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

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

Kentucky Teachers' Retirement System

Year ended June 30, 2023

	<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>
2023	100%	\$ 12,117,597	56.41%
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, 2023

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2023	\$ 1,105,621	\$ 1,105,621	\$ -
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, 2023

Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.

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, 2023

	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
2023	0.051443%	\$ 1,277,000	\$ 420,000	\$ 2,812,481	45.40%	47.75%
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, 2023

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 84,374	\$ 84,374	\$ -	\$ 2,812,481	3.00%
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, 2023

Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.

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, 2023

	<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>
2023	100%	\$ 21,000	73.97%
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, 2023

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2023	\$ 1,593	\$ 1,593	\$ -
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, 2023**

Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Total Non-major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 39,382	\$ 45,412	\$ 35,905	\$ 68,446	\$ 189,145
Accounts receivable	-	-	-	105	105
Total assets	<u>\$ 39,382</u>	<u>\$ 45,412</u>	<u>\$ 35,905</u>	<u>\$ 68,551</u>	<u>\$ 189,250</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:					
Restricted	<u>39,382</u>	<u>45,412</u>	<u>35,905</u>	<u>68,551</u>	<u>189,250</u>
Total liabilities fund balances	<u>\$ 39,382</u>	<u>\$ 45,412</u>	<u>\$ 35,905</u>	<u>\$ 68,551</u>	<u>\$ 189,250</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2023

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Total Non-major Governmental Funds
Revenues					
Taxes					
Property	\$ -	\$ -	\$ 117,816	\$ -	\$ 117,816
Earnings on investments	479	-	-	764	1,243
Student activity revenue	86,339	-	-	-	86,339
Intergovernmental - State	-	45,412	574,257	-	619,669
Total revenues	86,818	45,412	692,073	764	825,067
Expenditures					
Student activity expenditures	69,258	-	-	-	69,258
Buildings acquisition & construction	-	-	-	110,695	110,695
Total expenditures	69,258	-	-	110,695	179,953
Other financing sources (uses)					
Transfers in	-	-	-	107,507	107,507
Transfers out	-	-	(662,902)	-	(662,902)
Total other financing sources (uses)	-	-	(662,902)	107,507	(555,395)
Net change in fund balance	17,560	45,412	29,171	(2,424)	89,719
Fund balance as of June 30, 2022	21,822	-	6,734	70,975	99,531
Fund balance as of June 30, 2023	\$ 39,382	\$ 45,412	\$ 35,905	\$ 68,551	\$ 189,250

**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, 2023**

<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2023</u>	<u>Accounts Receivable June 30, 2023</u>	<u>Accounts Payable June 30, 2023</u>	<u>Balances June 30, 2023</u>
East Bernstadt Independent	\$ 21,822	\$ 86,818	\$ 69,258	\$ 39,382	\$ -	\$ -	\$ 39,382
Totals	\$ 21,822	\$ 86,818	\$ 69,258	\$ 39,382	\$ -	\$ -	\$ 39,382

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Expenditures			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002 22	\$ 2,520
Title I Grants to Local Educational Agencies	84.010	3100002 23	149,056
			<u>151,576</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027	3810002 22	10,233
Special Education Grants to States	84.027	3810002 23	101,085
			<u>111,318</u>
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027X	4910002.22	5,339
			<u>5,339</u>
Special Education Preschool Grants	84.173A	3800002 23	1,321
			<u>1,321</u>
Total Special Education Cluster			<u>117,978</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379X	211,885
			<u>211,885</u>
Rural Education	84.358	3140002 22	5,526
Rural Education	84.358	3140002 23	8,175
			<u>13,701</u>
Student Support and Academic Enrichment Grant	84.424	3420002 23	11,221
			<u>11,221</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	4300002 23	429,443
			<u>429,443</u>
Total U.S. Department of Education			<u>935,804</u>
<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 23	99,579
National School Lunch Program (NSLP)	10.555	7750002 23	369,479
National School Lunch Program (NSLP) - Commodities	10.555	7750002.22	28,187
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>497,245</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 23	686
			<u>686</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	9990000 23	628
			<u>628</u>
Total U.S. Department of Agriculture			<u>498,559</u>
Total federal expenditures			<u>\$ 1,434,363</u>

EAST BERNSTADT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

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, 2023 is \$28,187.

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

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
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 *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Bernstadt Independent School District (District), as of and for the year ended June 30, 2023, 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 14, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.



Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance with specific state statutes or regulations identified in the *Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of East Bernstadt Independent School District in a separate letter dated November 14, 2023.

Purpose of this Report

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

Cloyd & Associates, P.S.C.

Cloyd & Associates, PSC
London, Kentucky
November 14, 2023



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Bernstadt Independent School District's (District) 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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 the *Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to East Bernstadt Independent School District's federal programs.



Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 14, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weaknesses identified	_____	Yes	<u>✓</u>	No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u>	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	<u>✓</u>	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U
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Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	<u>✓</u>	Yes	_____	No
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(continued)

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year ended June 30, 2023

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, 2023

Summary of Prior Year Findings

There were no findings during the prior year.

MANAGEMENT LETTER COMMENTS



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, 2023, 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, if we noted any matters we feel need reporting that are opportunities for strengthening internal controls and operating efficiency, they will be included on the following pages. This letter does not affect our report thereon dated November 14, 2023, on the basic financial statements of East Bernstadt Independent School District.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 14, 2023

Prior Year Comments – School Activity Funds

There were no comments during the prior year.

Current Year Comments –School Activity Funds

1. Several instances of ending tickets not attached to requisition and report of ticket sales form. All ticket sales forms must have the ending tickets attached.

Management Response: Will provide specific training documentation for the Principal to share with all of the ticket workers to ensure the beginning and ending tickets are attached to the ticket sales worksheet for each event. The Finance officer will check on the reports from this year to see if they are following proper procedures.