

CUMBERLAND COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025
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
Cumberland County School District
Burkesville, Kentucky

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 Cumberland County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison 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 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 December 5, 2025, on our consideration of 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 the District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
December 5, 2025

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025

The management of Cumberland County 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, 2025. 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 ending cash and investment balance for the District was \$23,506,510, which included Student Activity Fund cash balance of \$327,400, School Food Service cash balance of \$198,283, and After School Child Care cash balance of \$167,440.
- The General Fund had \$10,604,812 in revenue, excluding interfund transfers, which primarily consisted of state SEEK, property taxes, and utility taxes.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on the table of contents of this report.

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
YEAR ENDED JUNE 30, 2025

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, 2025

Fiscal year 2025 government-wide net position compared to 2024 is as follows:

	2025	2024
Current and other assets	\$ 24,743,360	\$ 30,617,162
Capital assets	24,853,712	11,117,196
Total assets	<u>\$ 49,597,072</u>	<u>\$ 41,734,358</u>
Deferred outflow of resources	<u>\$ 2,392,655</u>	<u>\$ 3,142,705</u>
Current liabilities	\$ 6,213,920	\$ 1,069,630
Noncurrent liabilities	26,400,729	23,447,949
Total Liabilities	<u>\$ 32,614,649</u>	<u>\$ 24,517,579</u>
Deferred inflows of resources	<u>\$ 2,875,974</u>	<u>\$ 3,551,492</u>
Net investment in capital assets,	\$ 107,768	\$ (7,276,183)
Restricted net position	19,910,464	27,238,209
Unrestricted net position	(3,519,128)	(3,154,034)
Total net position	<u>\$ 16,499,104</u>	<u>\$ 16,807,992</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
YEAR ENDED JUNE 30, 2025

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 \$15,978,286; proprietary assets exceed liabilities by \$520,818; and total assets exceeded liabilities by \$16,499,104 at June 30, 2025. The District had an overall decrease in unrestricted net position of \$365,094.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Total Revenue	\$ 15,671,273	\$ 16,656,208
Expenditures and other financing uses		
Instruction	\$ 8,297,501	\$ 7,760,171
Student support services	624,835	416,281
Instructional support	841,734	1,073,611
District administration	753,501	649,505
School administration	671,798	603,634
Business operations	361,874	237,877
Plant operation and maintenance	971,161	970,080
Student transportation	644,839	599,757
Food service operations	13,925	9,903
Day care operations	30,649	263,866
Community services	188,018	150,030
Student activity	482,696	411,887
Debt service	1,710,814	1,057,348
Building improvements	14,519,084	1,947,327
Total expenditures	30,112,429	16,151,277
Excess revenues (expenditures)	\$ (14,441,156)	\$ 504,931
Other financing sources (uses)		
Bond principal proceeds	\$ 7,100,000	\$ 12,000,000
Bond premium	15,911	241,633
Transfers in	1,512,348	1,239,189
Transfers out	(1,512,348)	(1,195,014)
Total other financing sources (uses)	\$ 7,115,911	\$ 12,285,808
Net change in fund balance	\$ (7,325,245)	\$ 12,790,739

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. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED
YEAR ENDED JUNE 30, 2025

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 \$600,000 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2025, were \$10,604,812 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$3,988,362 more than budget or 37.61% more than the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2025, was \$10,579,413.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$1,560,259 more than budget or 14.75% more than budget.

Grant (Fund II) Information

The following is a list of major Grants and the amount that were received during the 2025 fiscal year:

State Grants	
Career and Technical Education	\$ 129,175
Extended School Services	\$ 42,131
Family Resource & Youth Service Centers	\$ 181,870
Gifted and Talented	\$ 29,610
KERA-Preschool	\$ 135,005
Safe Schools	\$ 40,000
Read to Achieve	\$ 68,099
Federal Grants	
Title I	\$ 549,604
Title II	\$ 118,396
Idea B Basic	\$ 310,436
Idea B Preschool	\$ 14,729
Vocational Education	\$ 16,908
Rural and Low Income	\$ 32,026
21st Century	\$ 346,819
Adult Education	\$ 18,796
Gear Up	\$ 189,903
Striving Readers	\$ 149,996
Child Care	\$ 30,649

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 (270) 864-3377, or to the Finance Officer (270) 864-3377 or by mail at 810 Main Street, Burkesville, Kentucky 42717.

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

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,026,960	\$ 365,723	\$ 6,392,683
Investments	17,546,148	-	17,546,148
Accounts receivable:			
Local	22,326	-	22,326
Taxes	78,479	-	78,479
Intergovernmental - State	-	-	-
Intergovernmental - Federal	498,760	93,612	592,372
Inventory	-	4,295	4,295
Prepaid expenditures	505	-	505
Net OPEB asset - CERS	106,552	-	106,552
Capital Assets, net			
Nondepreciable	17,534,989	-	17,534,989
Depreciable	7,255,354	63,369	7,318,723
Total assets	49,070,073	526,999	49,597,072
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from bond refunding	16,600	-	16,600
Deferred outflows from CERS Pension	1,045,620	-	1,045,620
Deferred outflows from OPEB - CERS	354,732	-	354,732
Deferred outflows from OPEB - KTRS	975,703	-	975,703
	2,392,655	-	2,392,655
LIABILITIES			
Checks written in excess of bank	429,321	-	429,321
Accounts payable	1,036,223	6,181	1,042,404
Accrued expenses	44,874	-	44,874
Unearned revenue	201,759	-	201,759
Current portion of compensated absences	51,107	-	51,107
Current portion of lease obligations	48,758	-	48,758
Current maturities of bond obligations	4,185,000	-	4,185,000
Interest payable	210,697	-	210,697
Net pension liability - CERS	3,679,635	-	3,679,635
Net OPEB liability - KTRS	1,173,000	-	1,173,000
Net bond premium	221,497	-	221,497
Noncurrent portion of lease obligations	122,186	-	122,186
Noncurrent maturities of bond obligations	20,390,000	-	20,390,000
Noncurrent portion of compensated absences	814,411	-	814,411
Total liabilities	32,608,468	6,181	32,614,649
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - CERS Pension	655,536	-	655,536
Deferred inflows from OPEB - CERS	1,104,438	-	1,104,438
Deferred inflows from OPEB - KTRS	1,116,000	-	1,116,000
	2,875,974	-	2,875,974
NET POSITION			
Net investment in capital assets	44,399	63,369	107,768
Restricted for:			
Capital expenditures	19,125,615	-	19,125,615
Other	327,400	457,449	784,849
Unrestricted	(3,519,128)	-	(3,519,128)
Total net position	\$ 15,978,286	\$ 520,818	\$ 16,499,104

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

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities							
Instruction	\$ 8,858,606	\$ -	\$ 2,955,011	\$ -	\$ (5,903,595)	\$ -	\$ (5,903,595)
Student	624,835	-	208,429	-	(416,406)	-	(416,406)
Instructional support	846,844	-	282,486	-	(564,358)	-	(564,358)
District administration	781,777	-	260,782	-	(520,995)	-	(520,995)
School administration	699,221	-	233,243	-	(465,978)	-	(465,978)
Business support	361,874	-	120,712	-	(241,162)	-	(241,162)
Plant operations and maintenance	1,084,055	-	361,614	-	(722,441)	-	(722,441)
Student transportation	714,325	-	238,281	-	(476,044)	-	(476,044)
Food service operations	13,925	-	4,645	-	(9,280)	-	(9,280)
Daycare operations	30,649	-	10,224	-	(20,425)	-	(20,425)
Community services	188,018	-	62,718	-	(125,300)	-	(125,300)
Student activity	482,696	-	161,015	-	(321,681)	-	(321,681)
Interest on long-term debt	927,376	-	-	1,152,935	225,559	-	225,559
Total governmental activities	15,614,201	-	4,899,160	1,152,935	(9,562,106)	-	(9,562,106)
Business-type activities							
Food service	1,387,487	44,627	1,417,833	-	-	74,973	74,973
After school child care	425,225	232,876	110,121	-	-	(82,228)	(82,228)
Total business-type activities	1,812,712	277,503	1,527,954	-	-	(7,255)	(7,255)
Total primary government	\$ 17,426,913	\$ 277,503	\$ 6,427,114	\$ 1,152,935	(9,562,106)	(7,255)	(9,569,361)
General revenues							
Taxes:							
Property					2,217,506	-	2,217,506
Motor vehicle					350,027	-	350,027
Utility					496,212	-	496,212
Occupational license tax					295,637	-	295,637
Earnings on investments					204,998	4,147	209,145
State grants					5,023,346	-	5,023,346
Other local amounts					1,031,452	-	1,031,452
Gain/(loss) on disposal of assets					-	-	-
Transfers in (out)					-	-	-
Total general revenues					9,619,178	4,147	9,623,325
Change in net position					57,072	(3,108)	53,964
Restated net position as of July 1, 2024					15,921,214	523,926	16,445,140
Net position as of June 30, 2025					\$ 15,978,286	\$ 520,818	\$ 16,499,104

CUMBERLAND COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Special Revenue Funds	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,731,502	\$ -	\$ -	\$ 2,968,058	\$ 327,400	\$ 6,026,960
Investments	-	-	17,546,148	-	-	17,546,148
Accounts receivable:						
Local	22,326	-	-	-	-	22,326
Taxes	78,479	-	-	-	-	78,479
Intergovernmental state	-	-	-	-	-	-
Intergovernmental federal	-	498,760	-	-	-	498,760
Interfund receivable	297,001	-	-	-	-	297,001
Prepaid expenditures	505	-	-	-	-	505
Total assets	\$ 3,129,813	\$ 498,760	\$ 17,546,148	\$ 2,968,058	\$ 327,400	\$ 24,470,179
LIABILITIES AND FUND BALANCES						
Liabilities						
Checks written in excess of bank	\$ -	\$ -	\$ 429,321	\$ -	\$ -	\$ 429,321
Accounts payable	76,953	-	959,270	-	-	1,036,223
Accrued expenses	44,874	-	-	-	-	44,874
Sick leave payable	51,107	-	-	-	-	51,107
Interfund payable	-	297,001	-	-	-	297,001
Unearned revenue	-	201,759	-	-	-	201,759
Total liabilities	172,934	498,760	1,388,591	-	-	2,060,285
Fund balances						
Nonspendable	505	-	-	-	-	505
Restricted	-	-	16,157,557	2,968,058	327,400	19,453,015
Committed	94,145	-	-	-	-	94,145
Assigned	77	-	-	-	-	77
Unassigned	2,862,152	-	-	-	-	2,862,152
Total fund balances	2,956,879	-	16,157,557	2,968,058	327,400	22,409,894
Total liabilities and fund balances	\$ 3,129,813	\$ 498,760	\$ 17,546,148	\$ 2,968,058	\$ 327,400	\$ 24,470,179

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

Total fund balances - governmental funds	\$ 22,409,894
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.	24,790,343
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.	2,392,655
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.	(24,575,000)
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.	(170,944)
The long term portion of bond premium 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.	(221,497)
The long term portion of compensated absences 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.	(814,411)
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.	(4,746,083)
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.	(2,875,974)
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.	(210,697)
Total net position - governmental activities	\$ 15,978,286

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

	General Fund	Special Revenue Funds	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Taxes						
Property	\$ 1,593,630	\$ -	\$ -	\$ -	\$ 623,876	2,217,506
Motor vehicle	350,027	-	-	-	-	350,027
Utility	496,212	-	-	-	-	496,212
Occupational license tax	295,637	-	-	-	-	295,637
Earnings on investments	81,900	20	13,813	109,265	-	204,998
Other local	409,645	85,151	-	-	-	494,796
Student activity revenue	-	-	-	-	536,656	536,656
Intergovernmental - State						
Seek	4,477,728	-	-	-	545,618	5,023,346
Other	2,847,958	779,843	-	272,513	-	3,900,314
Intergovernmental - Federal	52,075	1,932,366	-	167,340	-	2,151,781
Total revenues	10,604,812	2,797,380	13,813	549,118	1,706,150	15,671,273
Expenditures						
Current:						
Instruction	6,368,469	1,929,032	-	-	-	8,297,501
Student	548,435	76,400	-	-	-	624,835
Instructional support	282,376	559,358	-	-	-	841,734
District administration	753,501	-	-	-	-	753,501
School administration	671,798	-	-	-	-	671,798
Business support	361,874	-	-	-	-	361,874
Plant operations and maintenance	948,121	23,040	-	-	-	971,161
Student transportation	644,839	-	-	-	-	644,839
Food service operations	-	13,925	-	-	-	13,925
Daycare operations	-	30,649	-	-	-	30,649
Community services	-	188,018	-	-	-	188,018
Student activity expenditures	-	-	-	-	482,696	482,696
Building improvements	-	-	14,519,084	-	-	14,519,084
Debt service	-	-	61,750	1,649,064	-	1,710,814
Total expenditures	10,579,413	2,820,422	14,580,834	1,649,064	482,696	30,112,429
Excess (deficit) of revenues over (under) expenditures	25,399	(23,042)	(14,567,021)	(1,099,946)	1,223,454	(14,441,156)
Other financing sources (uses)						
Transfers in	-	141,438	-	1,370,910	-	1,512,348
Bond principal proceeds	-	-	7,100,000	-	-	7,100,000
Bond premium	-	-	15,911	-	-	15,911
Transfers out	(137,653)	(118,396)	-	-	(1,256,299)	(1,512,348)
Total other financing sources (uses)	(137,653)	23,042	7,115,911	1,370,910	(1,256,299)	7,115,911
Net change in fund balance	(112,254)	-	(7,451,110)	270,964	(32,845)	(7,325,245)
Fund balance as of June 30, 2024	3,069,133	-	23,608,667	2,697,094	360,245	29,735,139
Fund balance as of June 30, 2025	\$ 2,956,879	\$ -	\$ 16,157,557	\$ 2,968,058	\$ 327,400	\$ 22,409,894

CUMBERLAND COUNTY 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, 2025**

Net change in total fund balances - governmental funds	\$ (7,325,245)
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 depreciation expense exceeds capital outlay for the year.	13,719,015
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities	(36,608)
Bond and lease proceeds and premiums are recognized as revenues of current financial resources in the government fund financial statements, but are increases of liabilities in the statement of net position.	(7,101,697)
Bond and 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.	763,346
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.	5,878
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities.	298,528
Compensated absences 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>(266,145)</u>
Change in net position - governmental activities	<u>\$ 57,072</u>

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

	Food Service Fund	After School Child Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 198,283	\$ 167,440	\$ 365,723
Accounts receivable	93,612	-	93,612
Inventories	4,295	-	4,295
Total current assets	296,190	167,440	463,630
Noncurrent assets			
Capital assets	545,700	1,131	546,831
Less accumulated depreciation	(482,549)	(913)	(483,462)
Total noncurrent assets	63,151	218	63,369
Total assets	\$ 359,341	\$ 167,658	\$ 526,999
LIABILITIES			
Current liabilities			
Accounts payable	\$ 6,181	\$ -	\$ 6,181
Total current liabilities	6,181	-	6,181
NET POSITION			
Net investment in capital assets	63,151	218	63,369
Restricted for:			
Other	290,009	167,440	457,449
Total net position	\$ 353,160	\$ 167,658	\$ 520,818

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

	Food Service Fund	After School Child Care Fund	Total
Operating revenues			
Lunchroom sales	\$ 31,168	\$ -	\$ 31,168
Other	13,459	232,876	246,335
Total operating revenues	44,627	232,876	277,503
Operating expenses			
Salaries and wages	351,108	316,075	667,183
Employee benefits	85,399	83,617	169,016
Materials and supplies	943,532	25,487	969,019
Depreciation	7,448	46	7,494
Total operating expenses	1,387,487	425,225	1,812,712
Operating income/(loss)	(1,342,860)	(192,349)	(1,535,209)
Nonoperating revenues			
Federal grants	1,263,983	-	1,263,983
State grants	76,610	110,121	186,731
Earnings on investments	4,147	-	4,147
Donated commodities	77,240	-	77,240
Total nonoperating revenues/(expenses)	1,421,980	110,121	1,532,101
Gain/(Loss) on disposal of assets	-	-	-
Income before contributions, transfers, and special items	79,120	(82,228)	(3,108)
Transfers in (out)	-	-	-
Change in net position	79,120	(82,228)	(3,108)
Net position as of June 30, 2024	274,040	249,886	523,926
Net position as of June 30, 2025	<u>\$ 353,160</u>	<u>\$ 167,658</u>	<u>\$ 520,818</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Food Service Fund	After School Child Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 31,168	\$ -	\$ 31,168
Other activities	13,459	232,876	246,335
Cash paid to/for:			
Employees	(430,326)	(399,692)	(830,018)
Supplies	(951,956)	(25,487)	(977,443)
Net cash used in operating activities	(1,337,655)	(192,303)	(1,529,958)
Cash flows from non-capital financing activities			
Grants received	1,340,595	110,121	1,450,716
Transfer from (to) general fund	-	-	-
Net cash used in non-capital financing activities	1,340,595	110,121	1,450,716
Cash flows from capital and related financing activities			
Purchase of equipment	(24,995)	-	(24,995)
Net cash used in capital and related financing activities	(24,995)	-	(24,995)
Cash flows from investing activities			
Investment income	4,147	-	4,147
Net cash used in capital and related activities	4,147	-	4,147
Net increase/(decrease) in cash and cash equivalents	(17,908)	(82,182)	(100,090)
Cash and cash equivalents as of June 30, 2024	216,191	249,622	465,813
Cash and cash equivalents as of June 30, 2025	\$ 198,283	\$ 167,440	\$ 365,723
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	\$ (1,342,860)	\$ (192,349)	\$ (1,535,209)
Adjustments to reconcile change in net position to net cash used in operating activities:			
Donated commodities	77,240	-	77,240
Depreciation	7,448	46	7,494
Increase in accounts receivable	(93,614)	-	(93,614)
Increase in accounts payable	6,181	-	6,181
Change in inventory	7,950	-	7,950
Net cash used in operating activities	\$ (1,337,655)	\$ (192,303)	\$ (1,529,958)
Schedule of non-cash transactions:			
Depreciation	\$ 7,448	\$ 46	\$ 7,494
Donated commodities	77,240	-	77,240
Total non-cash transactions	\$ 84,688	\$ 46	\$ 84,734

1. REPORTING ENTITY

The Cumberland County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Cumberland County 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 Cumberland County 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:

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

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 significant accounting policies:

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, 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 funds 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 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 included 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

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. This is a major fund of the District.

The School Activity Fund is used to account for activities of student groups.

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 Fund)

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 is used to account for after-school day care activities.

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.

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.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the 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/Advances from Grantors- 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 the 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 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 assessed for the year ended June 30, 2025, were \$.394 per \$100 valuation for real property, \$.394 per \$100 valuation for business personal property and \$.530 per \$100 valuation for motor vehicles.

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

The District levies an occupational license tax of 0.5% of all gross wages paid within the county.

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.

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

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. 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	20 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

The fund financial statements present interfund receivables and payables resulting from short-term interfund loans that are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide 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

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation.

Sick leave eligibility and accumulation is specified in individual employment contracts. Upon retirement, employees may contractually receive a payment based on unused accumulated sick leave. District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 101, *Accounting for Compensated Absences*, the liability has been calculated using the more than likely than not to be used as leave or settled at separation method and an accrual for that liability is in the Government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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 are recognized in the current period. The face amount of the debt is 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

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

- Revenues are recorded 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. 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, 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 School 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. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

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.

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.

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

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserve the right to selectively spend Unassigned resources first to defer the use of these other classified 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, 2025, 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 particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

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.

Leases

For purposes of measuring the lease liability, GASB Statement No. 87, Leases, was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources.

3. DEPOSITS

The District's deposits (demand deposit accounts) are carried at cost, which approximates fair value. At June 30, 2025, the book balance of the District's bank deposits and the bank balances were as follows:

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

3. DEPOSITS-CONTINUED

	<u>Bank Balance</u>	<u>Book Balance</u>
First & Farmer's Bank	\$ 4,710,195	\$ 2,995,304
Bank of New York - Mellon	<u>2,968,058</u>	<u>2,968,058</u>
	<u>\$ 7,678,253</u>	<u>\$ 5,963,362</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 5,597,639
Proprietary funds	<u>365,723</u>
	<u>\$ 5,963,362</u>

Due to the nature of the accounts and limitations imposed for the purposes of various funds, all cash balances are considered to be restricted except for the General Fund.

Custodial Credit Risk

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, 2025, none of the District's bank balance was 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.

4. INVESTMENTS

Kentucky Revised Statutes (KRS) permit the District to invest money subject to its control in obligations of the United States and its agencies, certificates of deposit or other interest-bear accounts, bankers acceptances, commercial paper, bonds of the commonwealth of Kentucky and its agencies, securities issued by a state or local government, mutual funds, exchange-traded funds, individual equity securities, and individual corporate bonds, as more fully described in Kentucky Revised Statute (KRS) KRS 66.480.

At June 30, 2025, the District had the following investments and maturities:

<u>Type</u>	<u>Maturities in Years</u>		
	<u>Fair Value</u>	<u>None</u>	<u>1-5</u>
Cash equivalents	\$ 9,577,482	\$ 9,577,482	\$ -
Open Markets/SLGS	-	-	-
U.S. Treasury bonds and notes	7,986,666	-	7,986,666
Total Investments	<u>\$ 17,564,148</u>	<u>\$ 9,577,482</u>	<u>\$ 7,986,666</u>

4. INVESTMENTS - CONTINUED

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs. The fair value measurements of the District's investments at June 30, 2025, are as follows:

Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash equivalents	\$ 9,577,482	\$ 9,577,482	\$ -
Open Markets/SLGS	-	-	-
U.S. Treasury bonds and notes	7,986,666	7,986,666	-
Total Investments	<u>\$ 17,564,148</u>	<u>\$ 17,564,148</u>	<u>\$ -</u>

The following is a description of the valuation methodologies used for the Level 2 fair value measurements. There have been no changes in the methodologies used since the prior fiscal year.

Corporate bonds, State/Local Governmental Securities (SLGS), and U.S. government and Treasury securities: Valued using pricing models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data.

Investment Earnings

The investments originated during late June 2024 and had no significant earnings as of June 30, 2025.

5. CAPITAL ASSETS

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

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

5. CAPITAL ASSETS - CONTINUED

	June 30, 2024			June 30, 2025
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 747,330	\$ -	\$ -	\$ 747,330
Buildings	17,659,986	-	-	17,659,986
Technology equipment	436,120	-	6,299	429,821
Vehicles	1,673,729	-	54,601	1,619,128
General equipment	754,722	-	13,774	740,948
Construction work in progress	2,853,336	14,519,084	-	17,372,420
Total historical cost	24,125,223	14,519,084	74,674	38,569,633
Less accumulated depreciation	13,053,895	800,069	74,674	13,779,290
Governmental capital assets, net	<u>\$ 11,071,328</u>	<u>\$ 13,719,015</u>	<u>\$ -</u>	<u>\$ 24,790,343</u>
Business-type Activities				
Buildings and Improvements	\$ 32,505	\$ -	\$ -	\$ 32,505
General equipment	489,331	24,995	-	514,326
Total historical cost	521,836	24,995	-	546,831
Less accumulated depreciation	475,968	7,494	-	483,462
Business-type capital assets, net	<u>\$ 45,868</u>	<u>\$ 17,501</u>	<u>\$ -</u>	<u>\$ 63,369</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	\$ 593,488
Instructional support	5,110
District administrative	28,276
School administrative	27,423
Plant operation and maintenance	76,285
Student transportation	69,487
	<u>\$ 800,069</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

6. LEASE OBLIGATIONS

The District has entered into multiple finance lease agreements for buses under which the buses will become the property of the District when all the terms of the finance lease agreement are met. The following schedule presents the finance lease activity for the year ended June 30, 2025:

<u>Maturity</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
March, 2025	\$ 16,711	\$ -	\$ 16,711	\$ -	\$ -
March, 2027	55,485	-	20,136	35,349	17,451
March, 2029	95,305	-	20,289	75,016	20,873
March, 2031	70,878	-	10,299	60,579	10,434
	<u>\$ 238,379</u>	<u>\$ -</u>	<u>\$ 67,435</u>	<u>\$ 170,944</u>	<u>\$ 48,758</u>

The following presents a schedule by years of the future minimum lease payments under finance lease as of June 30, 2025.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025-26	\$ 48,758	\$ 3,954	\$ 52,712
2026-27	49,984	2,752	52,736
2027-28	26,783	1,518	28,301
2028-29	27,454	902	28,356
2029-30	8,915	270	9,185
2030-31	9,050	136	9,186
Totals	<u>\$ 170,944</u>	<u>\$ 9,532</u>	<u>\$ 180,476</u>
Less: amounts representing interest			<u>(9,532)</u>
Net lease liability			<u>\$ 170,944</u>

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

7. LONG-TERM OBLIGATIONS

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 Cumberland County 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:

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

7. LONG-TERM OBLIGATIONS - CONTINUED

<u>Issue Date</u>		<u>Proceeds</u>	<u>Rates</u>	<u>Maturity</u>
2011 QZAB	\$	2,411,505	5.30%	2026
2016R	\$	5,860,000	1.00-2.125%	2028
2016	\$	1,100,000	1.00-3.25%	2036
2024	\$	1,200,000	4.00%	2044
2025	\$	7,100,000	3.050%-4.060%	2045

The District, through the General Fund, including utility taxes, the FSPK Building Fund 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 Cumberland County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The agreements contain a provision that in the event of default, action can be taken to compel specific performance. 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, 2025 for debt service (principal and interest) are as follows:

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

7. LONG-TERM OBLIGATIONS - CONTINUED

Year	Cumberland County School District		Kentucky School Facility Construction Commission		Federal Interest	Total Principal	Total Interest
	Principal	Interest	Principal	Interest			
2025-26	\$ 3,738,500	\$ 471,251	\$ 446,500	\$ 347,379	\$ 172,250	\$ 4,185,000	\$ 990,880
2026-27	498,120	461,381	466,880	330,232	-	965,000	791,613
2027-28	491,607	450,742	348,393	314,539	-	840,000	765,281
2028-29	503,605	437,656	361,395	301,137	-	865,000	738,793
2029-30	520,500	417,512	374,500	287,232	-	895,000	704,744
2030-31	542,287	396,725	387,713	272,818	-	930,000	669,543
2031-32	563,889	375,048	401,111	257,821	-	965,000	632,869
2032-33	585,370	352,535	419,630	242,303	-	1,005,000	594,838
2033-34	611,728	329,145	433,272	226,061	-	1,045,000	555,206
2034-35	637,958	304,685	452,042	209,290	-	1,090,000	513,975
2035-36	659,054	279,201	470,946	191,786	-	1,130,000	470,987
2036-37	685,229	252,856	414,771	173,544	-	1,100,000	426,400
2037-38	713,237	225,447	431,763	156,953	-	1,145,000	382,400
2038-39	741,166	196,917	448,834	139,683	-	1,190,000	336,600
2039-40	774,014	167,270	470,986	121,730	-	1,245,000	289,000
2040-41	801,774	136,310	488,226	102,890	-	1,290,000	239,200
2041-42	834,446	104,239	505,554	83,361	-	1,340,000	187,600
2042-43	867,022	70,861	527,978	63,139	-	1,395,000	134,000
2043-44	904,504	36,180	550,496	42,020	-	1,455,000	78,200
2044-45	-	-	500,000	20,000	-	500,000	20,000
	<u>\$ 15,674,010</u>	<u>\$ 5,465,961</u>	<u>\$ 8,900,990</u>	<u>\$ 3,883,918</u>	<u>\$ 172,250</u>	<u>\$ 24,575,000</u>	<u>\$ 9,522,129</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2025 is as follows:

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

7. LONG-TERM OBLIGATIONS – CONTINUED

School Building Revenue Bonds	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Bonded debt obligations	\$ 18,155,000	\$ 7,100,000	\$ 680,000	\$ 24,575,000
2015 KISTA	16,711	-	16,711	-
2017 KISTA	55,485	-	20,136	35,349
2019 KISTA	95,305	-	20,289	75,016
2021 KISTA	70,878	-	10,299	60,579
Net Pension Liability (Asset)	3,800,305	-	120,670	3,679,635
Net OPEB Liability (Asset) - CERS	(81,770)	-	24,782	(106,552)
Net OPEB Liability (Asset) - KTRS	1,364,000	-	191,000	1,173,000
Compensated absences	599,339	266,179	-	865,518
	<u>\$ 24,075,253</u>	<u>\$ 7,366,179</u>	<u>\$ 1,083,887</u>	<u>\$ 30,357,545</u>

The change in compensated absences is presented as net change.

8. RETIREMENT PLANS

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

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 Public Pension Authority (KPPA), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>. *Benefits provided* - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

8. RETIREMENT PLANS - CONTINUED

Participating employees become eligible to receive 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 19.71% of the employee's total compensation subject to contribution. Pension has a contribution rate of 19.71% and OPEB has a contribution rate of 0.00%.

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:

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

8. RETIREMENT PLANS – CONTINUED

TRS 3	Participation Date	July 1, 2008 – December 31, 2021
	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 – Present
	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.

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% 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. 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.

8. RETIREMENT PLANS – CONTINUED

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

At June 30, 2025, the District reported a liability(asset) of \$3,679,635 for its proportionate share of the net pension liability(asset) for CERS. The District did not report a liability(asset) for the District's proportionate share of the net pension liability(asset) 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(asset), the related Commonwealth support, and the total portion of the net pension liability(asset) that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability(asset)	\$	3,679,635
Commonwealth's proportionate share of the KTRS net pension liability(asset) associated with the District		<u>16,839,546</u>
	\$	<u>20,519,181</u>

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

The District's proportion of the net pension liability(asset) for CERS was based on the actual liability(asset) of the employees and former employees relative to the total liability(asset) of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.061528%.

For the year ended June 30, 2025, the District recognized pension expense(credit) of (\$2,172) related to CERS and \$1,094,511 related to KTRS. The District also recognized revenue of \$1,094,511 for KTRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,101	\$ -
Changes of assumptions	-	166,247
Net difference between projected and actual earnings on pension plan investments	252,708	489,289
Changes in proportion and differences between District contributions and proportionate share of contributions	171,456	-
District contributions subsequent to the measurement date	<u>443,355</u>	<u>-</u>
Total	<u>\$ 1,045,620</u>	<u>\$ 655,536</u>

8. RETIREMENT PLANS – CONTINUED

Reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense (credit) as follows:

Year ended June 30:	
2025	\$ (10,190)
2026	100,587
2027	(90,944)
2028	(52,724)
	<u>\$ (53,271)</u>

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

	CERS	KTRS
Inflation	2.50%	2.50%
Projected salary increases	3.30-10.30%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.50%	7.10%
Municipal bond index rate		3.94%
Single equivalent interest rate		7.10%

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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(asset) was 6.50%. 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 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability(asset).

For KTRS, the discount rate used to measure the total pension liability(asset) 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 to determine the total pension liability(asset).

Sensitivity of CERS and KTRS proportionate share of net pension liability(asset) to changes in the discount rate—The following table presents the net pension liability(asset) of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability(asset) 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:

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

8. RETIREMENT PLANS – CONTINUED

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability(asset)	\$ 4,743,651	\$ 3,679,635	\$ 2,796,782
KTRS	6.10%	7.10%	8.10%
State's proportionate share of net pension liability(asset)	\$ -	\$ -	\$ -

Pension plan fiduciary net position—Detailed information about pension plan's fiduciary net position, is available in separately issued financial reports of both CERS and KTRS.

The District's contribution (both withholding and match) KTRS for the year ended June 30, 2025, June 30, 2024, and June 30, 2023, were \$975,777, \$1,011,022 and \$1,022,435, respectively. The District's contribution (match only) CERS for the years ended June 30, 2025, June 30, 2024, and June 30, 2023, were \$574,754, \$446,776 and \$561,790, 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 1983 General Assembly and is governed by the 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.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

9. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

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

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

At June 30, 2025, the District reported a liability(asset) of \$1,173,000 for its proportionate share of the collective net OPEB liability(asset) that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability(asset) was measured as of June 30, 2024, and the total OPEB liability(asset) used to calculate the collective net OPEB liability(asset) was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .052637%.

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

District's proportionate share of the KTRS net OPEB liability (asset)	\$ 1,173,000
Commonwealth's proportionate share of the KTRS net OPEB liability (asset) associated with the District	1,045,000
	<u>\$ 2,218,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$97,373 and revenue of \$97,373 for support provided by the state. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows on resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 352,000
Changes of assumptions	299,000	-
Net difference between projected and actual earning on plan investments	-	38,000
Changes in proportion and differences between contributions and proportionate share of contributions	414,000	726,000
District contribution subsequent to the measurement date	262,703	-
Total	<u>\$ 975,703</u>	<u>\$ 1,116,000</u>

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

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

Year ended June 30,	
2026	\$ (95,000)
2027	(44,000)
2028	(65,000)
2029	(104,000)
2030	(86,000)
Thereafter	(9,000)
	<u>\$ (403,000)</u>

Actuarial assumptions - The total OPEB liabilities(assets) in the June 30, 2024, 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%-7.50%, including inflation
Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Healthcare cost trend rates	
Under 65	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B	5.92% for FY 2024 with an ultimate rate of 4.50% by FYE 2035
Municipal bond index rate	3.94%
Discount rate	7.10%
Single equivalent interest rate	7.1%, 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 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate -The discount rates used to measure the total OPEB liability (asset) 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 plans' 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(asset).

The following table presents the District's proportionate share of the collective net OPEB liability(asset) of the System, calculated using the discount rate of 7.10% as well as what the District's proportionate share of the collective net MIP OPEB liability(asset) 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.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

9. OTHER POST-EMPLOYMENT BENEFITS PLAN-CONTINUED

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
KTRS			
District's proportionate share			
of net OPEB liability (asset)	\$ 1,559,000	\$ 1,173,000	\$ 854,000

Sensitivity of the District's proportionate share of the collective net OPEB liability(asset) to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability(asset), as well as what the District's proportionate share of the collective net OPEB liability(asset) 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 (asset)	\$ 793,000	\$ 1,173,000	\$ 1,646,000

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

Life Insurance Plan

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

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

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

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

At June 30, 2025, the District did not report a liability(asset) for a proportionate share of the collective net OPEB liability(asset) 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 (asset) of the OPEB liability(asset) that was associated with the District were as follows:

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

District's proportionate share of the KTRS net OPEB	
Life Insurance Plan liability (asset)	\$ -
Commonwealth's proportionate share of the KTRS net	
OPEB Life Insurance liability (asset) associated with the District	<u>24,000</u>
Total	<u>\$ 24,000</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods 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	3.94%
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, 2024, valuation were based on a review of recent plan experience done concurrently with the June 30, 2024, valuation.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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 agent 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 an 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 (Assets), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported an collective net OPEB liability(asset) of (\$106,552) for its proportionate share of the collective net OPEB liability(asset) that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability(asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability(asset) 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, 2024 the District's proportion was 0.061598%.

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

District's proportionate share of the CERS net	
OPEB liability (asset)	\$ (106,552)

For the year ended June 30, 2025, the District recognized OPEB expense(credit) of (\$230,005). At June 30, 2025 the District reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,114	\$ 838,357
Changes of assumptions	96,549	75,184
Net difference between projected and actual earnings on pension plan investments	93,662	190,897
Changes in proportion and differences between District contributions and proportionate share of contributions	105,407	-
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 354,732</u>	<u>\$ 1,104,438</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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 (asset) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense(credit) as follows:

Year ended June 30:	
2025	\$ (302,412)
2026	(230,249)
2027	(211,935)
2028	(5,110)
	<u>\$ (749,706)</u>

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-10.30%, including inflation
Inflation rate	2.30%
Payroll growth rate	2.00%
Healthcare cost trend rates	
Pre 65	6.20% for FY 2024 with an ultimate rate of 4.05% by FY 2035
Post 65	9.00% for FY 2024 with an ultimate rate of 4.05% by FY 2035
Municipal Bond Index Rate	3.97%
Discount Rate	5.99%

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Discount rate -The discount rate used to measure the total OPEB liability(asset) for life insurance was 5.99%. 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(asset).

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability (asset)	\$ 144,071	\$ (106,552)	\$ (317,277)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability(asset) to Changes in the Healthcare Cost Trend Rates- The following presents the District's proportionate share of the net OPEB liability(asset), as well as what the District's proportionate share of the net OPB liability(asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
CERS			
District's proportionate share of net OPEB liability (asset)	\$ (256,352)	\$ (106,552)	\$ 67,954

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. CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the 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, 2025, may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

12. 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.

13. 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.

14. DEFICIT FUND BALANCES

No funds had deficit fund balances, but some funds may have deficit operating balances.

15. 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 of a substantial loss (contingency). There were no instances of noncompliance noted.

16. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 23,042
Operating	General	Debt Service	Debt Service	\$ 114,611
Operating	Special Revenue	Special Revenue	Operations	\$ 118,396
Operating	Capital Outlay	Debt Service	Debt Service	\$ 89,206
Operating	Building	Debt Service	Debt Service	\$ 1,167,093

17. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2025, the general fund had a \$297,007 interfund receivable due from the special revenue fund and the asset and liability are recorded in the respective funds.

18. ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

18. ON-BEHALF PAYMENTS-CONTINUED

For the year ended June 30, 2025, total payments of \$3,098,505 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District.

These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Retirement Contributions to the Teachers'	
Retirement System of Kentucky	\$ 1,194,799
Health and Life Insurance	1,779,483
Other Less Federal	(175,295)
Technology	27,005
Debt Service	272,513
	<u>\$ 3,098,505</u>

19. FUND BALANCE DESIGNATIONS

The following funds had nonspendable fund balances as follows:

Fund	Amount	Purpose
General	\$ 505	Prepaid expenses

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 77	Purchase obligations

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 94,145	Sick Leave Retirement Benefit

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Construction Fund	\$ 16,157,557	Construction
Debt Service Fund	2,968,058	Debt Service
School Activity Fund	327,400	School Activity

20. CHANGE IN ACCOUNTING PRINCIPLE

The District has adopted GASB Statement No. 101, Compensated Absences, effective July 1, 2024. Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
YEAR ENDED JUNE 30, 2025

21. PRIOR PERIOD ADJUSTMENT

The adoption of GASB statement No. 101 has resulted in a prior period adjustment to the beginning net position for government-wide activities. The beginning net position was decreased by \$362,852.

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 5, 2025, 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 the financial statements or disclosure in the notes.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 1,380,000	\$ 1,380,000	\$ 1,593,630	\$ 213,630
Motor vehicle	350,000	350,000	350,027	27
Utility	350,000	350,000	496,212	146,212
Occupational	250,000	250,000	295,637	45,637
Earnings on investments	52,000	52,000	81,900	29,900
Other local	118,689	118,689	409,645	290,956
Intergovernmental - State				
Seek	4,008,561	4,008,561	4,477,728	469,167
Other	27,200	27,200	2,847,958	2,820,758
Intergovernmental - Federal	80,000	80,000	52,075	(27,925)
Total revenues	<u>6,616,450</u>	<u>6,616,450</u>	<u>10,604,812</u>	<u>3,988,362</u>
Expenditures				
Current:				
Instruction	4,326,132	4,326,132	6,368,469	(2,042,337)
Student	401,795	401,795	548,435	(146,640)
Instructional support	302,575	302,575	282,376	20,199
District administration	663,711	663,711	753,501	(89,790)
School administration	690,906	690,906	671,798	19,108
Business support	410,336	410,336	361,874	48,462
Plant operations and maintenance	1,062,096	1,062,096	948,121	113,975
Student transportation	559,503	559,503	644,839	(85,336)
Food service operations	1,100	1,100	-	1,100
Community services	1,000	1,000	-	1,000
Contingency	600,000	600,000	-	600,000
Total expenditures	<u>9,019,154</u>	<u>9,019,154</u>	<u>10,579,413</u>	<u>(1,560,259)</u>
Excess (deficit) of revenues over (under) expenditures	(2,402,704)	(2,402,704)	25,399	2,428,103
Other financing sources (uses)				
Transfers in	160,860	160,860	-	(160,860)
Transfers out	(285,155)	(285,155)	(137,653)	147,502
Total other financing sources (uses)	<u>(124,295)</u>	<u>(124,295)</u>	<u>(137,653)</u>	<u>(13,358)</u>
Net change in fund balance	(2,526,999)	(2,526,999)	(112,254)	2,414,745
Fund balance as of June 30, 2024	<u>3,069,133</u>	<u>3,069,133</u>	<u>3,069,133</u>	-
Fund balance as of June 30, 2025	<u>\$ 542,134</u>	<u>\$ 542,134</u>	<u>\$ 2,956,879</u>	<u>\$ 2,414,745</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 2,345	\$ 2,345	\$ 85,151	\$ 82,806
Earnings from investments	19	19	20	1
Intergovernmental - State	828,248	828,248	779,843	(48,405)
Intergovernmental - Federal	2,505,824	\$ 2,505,824	1,932,366	(573,458)
Total revenues	3,336,436	3,336,436	2,797,380	(539,056)
Expenditures				
Current:				
Instruction	1,831,785	1,831,785	1,929,032	(97,247)
Student support services	120,177	120,177	76,400	43,777
Instructional support	577,444	577,444	559,358	18,086
Plant operations & maintenance	-	-	23,040	(23,040)
Student transportation	-	-	-	-
Food service operations	-	-	13,925	(13,925)
Day care operations	537,842	537,842	30,649	507,193
Community service	182,430	182,430	188,018	(5,588)
Total expenditures	3,249,678	3,249,678	2,820,422	429,256
Excess (deficit) of revenues over (under) expenditures	86,758	86,758	(23,042)	(109,800)
Other financing sources				
Operating transfers in	85,100	85,100	141,438	56,338
Operating transfers out	(62,058)	(62,058)	(118,396)	(56,338)
Total other financing sources	23,042	23,042	23,042	-
Net change in fund balance	109,800	109,800	-	109,800
Fund balance as of June 30, 2024	-	-	-	-
Fund balance as of June 30, 2025	\$ 109,800	\$ 109,800	\$ -	\$ (109,800)

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2025

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.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - COUNTY EMPLOYEES RETIREMENT SYSTEM

JUNE 30, 2025

	<u>District's proportion of net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2025	0.06%	\$ 3,679,635	\$ 2,279,722	161.41%	61.61%
2024	0.06%	\$ 3,800,305	\$ 1,968,581	193.05%	57.48%
2023	0.05%	\$ 3,973,355	\$ 1,747,426	227.38%	52.42%
2022	0.05%	\$ 3,270,395	\$ 1,526,837	214.19%	57.33%
2021	0.05%	\$ 3,897,315	\$ 1,044,077	373.28%	47.81%
2020	0.05%	\$ 3,669,280	\$ 1,245,431	294.62%	50.45%
2019	0.05%	\$ 2,951,666	\$ 1,220,600	241.82%	53.54%
2018	0.04%	\$ 2,559,747	\$ 1,081,686	236.64%	55.30%
2017	0.05%	\$ 2,287,872	\$ 1,109,314	206.24%	55.50%
2016	0.05%	\$ 2,032,030	\$ 1,108,484	183.32%	59.97%

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - COUNTY EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2025

	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
2025	\$ 450,845	\$ 450,845	\$ -	\$ 2,279,722	19.71%
2024	\$ 459,467	\$ 459,467	\$ -	\$ 1,968,581	23.34%
2023	\$ 408,898	\$ 408,898	\$ -	\$ 1,747,426	23.40%
2022	\$ 322,936	\$ 322,936	\$ -	\$ 1,526,837	21.15%
2021	\$ 251,205	\$ 251,205	\$ -	\$ 1,044,077	24.06%
2020	\$ 267,519	\$ 267,519	\$ -	\$ 1,245,431	21.48%
2019	\$ 234,111	\$ 234,111	\$ -	\$ 1,220,600	19.18%
2018	\$ 202,059	\$ 202,059	\$ -	\$ 1,081,686	18.68%
2017	\$ 189,249	\$ 189,249	\$ -	\$ 1,109,314	17.06%
2016	\$ 137,777	\$ 137,777	\$ -	\$ 1,108,484	12.43%

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The assumed rate of inflation was decreased from 2.50% to 2.30%.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN

JUNE 30, 2025

	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
2025	0.06%	\$ (106,552)	\$ 2,279,722	-4.67%	104.89%
2024	0.06%	\$ (81,770)	\$ 1,968,581	-4.15%	104.20%
2023	0.05%	\$ 1,084,544	\$ 1,747,426	62.07%	60.95%
2022	0.05%	\$ 1,313,712	\$ 1,526,837	86.04%	62.91%
2021	0.05%	\$ 1,226,661	\$ 1,044,077	117.49%	51.67%
2020	0.05%	\$ 877,274	\$ 1,245,431	70.44%	60.44%
2019	0.05%	\$ 860,806	\$ 1,220,600	70.52%	57.62%
2018	0.04%	\$ 892,893	\$ 1,081,686	82.55%	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.

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - COUNTY EMPLOYEES RETIREMENT PLAN - MEDICAL INSURANCE PLAN
YEAR ENDED JUNE 30, 2025

	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
2025	\$ -	\$ -	\$ -	\$ 2,279,722	0.00%
2024	\$ -	\$ -	\$ -	\$ 1,968,581	0.00%
2023	\$ 59,238	\$ 59,238	\$ -	\$ 1,747,426	3.39%
2022	\$ 88,170	\$ 88,170	\$ -	\$ 1,526,837	5.77%
2021	\$ 87,483	\$ 87,483	\$ -	\$ 1,044,077	8.38%
2020	\$ 84,477	\$ 84,477	\$ -	\$ 1,245,431	6.78%
2019	\$ 56,479	\$ 56,479	\$ -	\$ 1,220,600	4.63%
2018	\$ 51,151	\$ 51,151	\$ -	\$ 1,081,686	4.73%

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

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN

YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The single discount rate changed from 5.93% to 5.99%.

Healthcare Trend Rates for Pre-65 decreased from 6.80% to 6.20%.

Healthcare Trend Rates for Post-65 increased from 8.50% to 9.00%.

CUMBERLAND COUNTY SCHOOL DISTRICT**SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - KENTUCKY TEACHERS' RETIREMENT SYSTEM**JUNE 30, 2025

	<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>
2025	100%	\$ 16,839,546	60.36%
2024	100%	\$ 18,249,262	57.68%
2023	100%	\$ 20,213,389	56.41%
2022	100%	\$ 15,785,142	65.59%
2021	100%	\$ 18,094,632	58.27%
2020	100%	\$ 16,466,684	58.76%
2019	100%	\$ 14,511,328	59.28%
2018	100%	\$ 32,319,931	39.83%
2017	100%	\$ 36,968,350	35.22%
2016	100%	\$ 31,395,835	42.49%

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS - KENTUCKY TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2025

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2025	\$ 1,094,511	\$ 1,094,511	\$ -
2024	\$ 2,423,958	\$ 2,423,958	\$ -
2023	\$ 1,844,293	\$ 1,844,293	\$ -
2022	\$ 1,260,021	\$ 1,260,021	\$ -
2021	\$ 1,309,731	\$ 1,309,731	\$ -
2020	\$ 1,239,205	\$ 1,239,205	\$ -
2019	\$ 1,051,459	\$ 1,051,459	\$ -
2018	\$ 1,148,305	\$ 1,148,305	\$ -
2017	\$ 608,578	\$ 608,578	\$ -
2016	\$ 649,310	\$ 649,310	\$ -

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
JUNE 30, 2025

	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
2025	0.05%	\$ 1,173,000	\$ 1,045,000	\$ 5,451,808	21.52%	47.12%
2024	0.06%	\$ 1,364,000	\$ 1,150,000	\$ 5,130,527	26.59%	52.97%
2023	0.09%	\$ 2,129,000	\$ 699,000	\$ 5,104,210	41.71%	47.75%
2022	0.06%	\$ 1,384,000	\$ 1,124,000	\$ 5,120,229	27.03%	51.74%
2021	0.12%	\$ 1,726,000	\$ 1,383,000	\$ 4,026,500	42.87%	39.05%
2020	0.11%	\$ 1,876,000	\$ 1,515,000	\$ 3,719,900	50.43%	32.58%
2019	0.10%	\$ 1,985,000	\$ 1,711,000	\$ 3,397,200	58.43%	25.50%
2018	0.11%	\$ 2,259,000	\$ 1,845,000	\$ 3,618,400	62.43%	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.

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
YEAR ENDED JUNE 30, 2025

	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
2025	\$ 163,554	\$ 163,554	\$ -	\$ 5,451,808	3.00%
2024	\$ 153,916	\$ 153,916	\$ -	\$ 5,130,527	3.00%
2023	\$ 153,126	\$ 153,126	\$ -	\$ 5,104,210	3.00%
2022	\$ 153,607	\$ 153,607	\$ -	\$ 5,120,229	3.00%
2021	\$ 120,795	\$ 120,795	\$ -	\$ 4,026,500	3.00%
2020	\$ 111,596	\$ 111,596	\$ -	\$ 3,719,900	3.00%
2019	\$ 101,917	\$ 101,917	\$ -	\$ 3,397,200	3.00%
2018	\$ 108,552	\$ 108,552	\$ -	\$ 3,618,400	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.

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN

YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

Health Care Cost Trends decreased from 6.75% to 6.50%.

Health Care Cost Trends for Medicare Part B Premiums increased from 1.55% to 5.92%.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
JUNE 30, 2025

	State's proportion of net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	Plan fiduciary net position as a percentage of the total OBEP liability
2025	100%	\$ 24,000	80.56%
2024	100%	\$ 28,000	76.91%
2023	100%	\$ 35,000	73.97%
2022	100%	\$ 15,000	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%

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

CUMBERLAND COUNTY SCHOOL DISTRICT**SCHEDULE OF STATE CONTRIBUTIONS - NET OPEB LIABILITY (ASSET) - LIFE INSURANCE PLAN****YEAR ENDED JUNE 30, 2025**

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2025	\$ 2,915	\$ 2,915	\$ -
2024	\$ 2,830	\$ 2,830	\$ -
2023	\$ 2,655	\$ 2,655	\$ -
2022	\$ 2,289	\$ 2,289	\$ -
2021	\$ 2,013	\$ 2,013	\$ -
2020	\$ 1,488	\$ 1,488	\$ -
2019	\$ 1,019	\$ 1,019	\$ -
2018	\$ 1,086	\$ 1,086	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
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CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

OTHER SUPPLEMENTARY INFORMATION

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

	<u>School Activity Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 327,400	\$ -	\$ -	\$ 327,400
Total assets	<u>\$ 327,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,400</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Restricted	<u>327,400</u>	<u>-</u>	<u>-</u>	<u>327,400</u>
Total liabilities fund balances	<u>\$ 327,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,400</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
YEAR ENDED JUNE 30, 2025

	<u>School Activity Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>Total Non-major Governmental Funds</u>
Revenues				
Taxes				
Property	\$ -	\$ -	\$ 623,876	\$ 623,876
Student activity revenue	536,656	-	-	536,656
Intergovernmental - State	-	89,206	456,412	545,618
	<u>-</u>	<u>89,206</u>	<u>456,412</u>	<u>545,618</u>
Total revenues	<u>536,656</u>	<u>89,206</u>	<u>1,080,288</u>	<u>1,706,150</u>
Expenditures				
Student activity expenditures	<u>482,696</u>	<u>-</u>	<u>-</u>	<u>482,696</u>
Total expenditures	<u>482,696</u>	<u>-</u>	<u>-</u>	<u>482,696</u>
Other financing sources (uses)				
Transfers out	-	(89,206)	(1,167,093)	(1,256,299)
Total other financing sources (uses)	<u>-</u>	<u>(89,206)</u>	<u>(1,167,093)</u>	<u>(1,256,299)</u>
Net change in fund balance	53,960	-	(86,805)	(32,845)
Fund balance as of June 30, 2024	<u>273,440</u>	<u>-</u>	<u>86,805</u>	<u>360,245</u>
Fund balance as of June 30, 2025	<u>\$ 327,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,400</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2025

<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2024</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2025</u>	<u>Accounts Receivable June 30, 2025</u>	<u>Accounts Payable June 30, 2025</u>	<u>Balances June 30, 2025</u>
Cumberland County Elementary School	\$ 74,765	\$ 107,018	\$ 100,173	\$ 81,610	\$ -	\$ -	\$ 81,610
Cumberland County Middle School	75,169	167,027	154,822	87,374	-	-	87,374
Totals	<u>\$ 149,934</u>	<u>\$ 274,045</u>	<u>\$ 254,995</u>	<u>\$ 168,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,984</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES - CUMBERLAND COUNTY HIGH SCHOOL ACTIVITY FUND
YEAR ENDED JUNE 30, 2025

	Balances June 30, 2024	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalent June 30, 2025	Accounts Receivable June 30, 2025	Accounts Payable June 30, 2025	Balances June 30, 2025
GENERAL	\$ 4,515	\$ 2,843	\$ 692	\$ (362)	\$ 6,304	-	-	\$ 6,304
BOOK	17	-	-	-	17	-	-	17
SWEEP	-	-	5,541	5,541	0	-	-	0
LIBRARY	139	-	-	-	139	-	-	139
CHANGE FUND	-	900	900	-	-	-	-	-
CONCESSIONS	11,442	1,915	450	394	13,301	-	-	13,301
FLOWER	351	703	477	-	577	-	-	577
STUDENT REWARDS	1,984	125	1,715	(394)	0	-	-	0
POSTER MACHINE	1,913	605	1,022	-	1,496	-	-	1,496
BETA CLUB	4,097	17,074	16,114	-	5,057	-	-	5,057
FCCLA	1,517	1,220	2,362	200	575	-	-	575
FFA	2,969	8,726	9,092	(200)	2,403	-	-	2,403
DRAMA CLASS	343	-	-	-	343	-	-	343
STLP	26	435	312	-	149	-	-	149
CIVICS CLUB	-	75	-	-	75	-	-	75
ACADEMIC	1,788	1,000	1,575	-	1,213	-	-	1,213
FCS CULINARY	1,327	1,182	455	-	2,054	-	-	2,054
FCA	215	-	-	-	215	-	-	215
PEP CLUB	8	127	122	-	13	-	-	13
VOCATIONAL AG	34,532	14,183	13,706	-	35,009	-	-	35,009
IND TECHNOLOGY	911	805	819	-	897	-	-	897
ART	43	-	-	-	43	-	-	43
ENGLISH	266	-	-	-	266	-	-	266
BIOLOGY	71	-	-	-	71	-	-	71
SPANISH/MEDIA	1,537	-	-	-	1,537	-	-	1,537
SPECIAL EDUCATION	334	-	-	-	334	-	-	334
FRYSC/CATHOLIC	1,347	-	-	-	1,347	-	-	1,347
FRYSC/CHRISTMAS	331	-	-	-	331	-	-	331
FRYSC/MISC	419	-	85	-	334	-	-	334
ATHLETIC	11,844	81,925	58,606	(5,029)	30,135	-	-	30,135
CHEERLEADING	1,128	17,873	14,886	500	4,615	-	-	4,615

Continued on next page

CUMBERLAND COUNTY SCHOOL DISTRICT**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES - CUMBERLAND COUNTY HIGH SCHOOL ACTIVITY FUND**

YEAR ENDED JUNE 30, 2025

	<u>Balances</u> <u>June 30, 2024</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u> <u>in (out)</u>	<u>Cash and</u> <u>Cash Equivalent</u> <u>June 30, 2025</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30, 2025</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2025</u>	<u>Balances</u> <u>June 30, 2025</u>
ATHLETIC BOOSTER	14,535	83,190	78,551	(500)	18,674	-	-	18,674
BOOSTER SPECIAL	27	10,672	4,153	-	6,546	-	-	6,546
BAND BOOSTERS	8	-	-	-	8	-	-	8
SENIORS 2025	1,894	750	2,494	(150)	-	-	-	-
SENIORS 2026	-	3,500	1,320	-	2,180	-	-	2,180
YEARBOOK	15,442	6,490	5,260	-	16,672	-	-	16,672
GUIDANCE	1,380	5,043	5,234	-	1,189	-	-	1,189
GM SCHOLARSHIP	3,243	250	1,000	-	2,493	-	-	2,493
KEA	1,563	1,000	758	-	1,805	-	-	1,805
Total accounts	<u>\$ 123,506</u>	<u>\$ 262,611</u>	<u>\$ 227,701</u>	<u>\$ -</u>	<u>\$ 158,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,416</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
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 25	\$ 549,604 <u>549,604</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027	3810002 25	<u>310,436</u> <u>310,436</u>
Special Education Preschool Grants	84.173	3800002 25	<u>14,729</u> <u>14,729</u>
Total Special Education Cluster			<u>325,165</u>
Adult Education	84.002	2-373L	<u>18,796</u> <u>18,796</u>
Career and Technical Education	84.048	3710002 25	<u>16,908</u> <u>16,908</u>
Twenty-First Century Community Learning Centers	84.287	3400002 25	<u>346,819</u> <u>346,819</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	2-379X	<u>189,903</u> <u>189,903</u>
Rural Education	84.358	3140002 25	<u>32,026</u> <u>32,026</u>
Comprehensive Literacy Development	84.371	3220002 25	<u>149,996</u> <u>149,996</u>
Student Support and Academic Enrichment Grant	84.424	3420002 25	<u>36,399</u> <u>36,399</u>
<i>Education Stabilization Fund (COVID-19):</i>			
American Rescue Plan Elementary and Secondary School Emergency Relief Fund – Homeless Children and Youth (COVID-19)	84.425W	2-476X	10,598
American Rescue Plan Elementary and Secondary School Emergency Relief Fund (COVID-19)	84.425U	2-473X	<u>145,131</u> <u>155,729</u>
Total U.S. Department of Education			<u>1,821,345</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002 24	615,825
School Breakfast Program	10.553	7760005 24	332,553
Summer Food Service Program for Children	10.559	7760005 24	216,248
Non-cash Assistance (Commodities) National School Lunch Program	10.555	57502 02	77,240
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>1,241,866</u>
Child and Adult Care Food Program	10.558	7800016 24	61,498
			<u>61,498</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 24	2,099
			<u>2,099</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	9990000 24	35,760
Child Nutrition Discretionary Grants Limited Availability	10.579	2-225KH	80,251
			<u>116,011</u>
Total U.S. Department of Agriculture			<u>1,421,474</u>
<u>U.S. Department of Health and Human Services</u>			
Promoting Adolescent Health Through School Based Surveillance	93.079	2-493F	121
			<u>121</u>
Child Care and Development Block Grant	93.575	CCDBG21	30,649
			<u>30,649</u>
Total U.S. Department of Health and Human Services			<u>30,770</u>
Total federal expenditures			<u>\$ 3,273,589</u>

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

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Cumberland County 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, 2025 is \$77,240.

3. CLUSTER PROGRAMS

The following ALN 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 the cost principles contained in the Uniform Guidance, 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
Cumberland County School District
Burkesville, 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 Cumberland County School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Cumberland County School District's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance with specific state statutes or regulations identified in the *Independent Auditor's Contract-State Audit Requirements*.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
December 5, 2025



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
Cumberland County School District
Burkesville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cumberland County 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 the District's major federal programs for the year ended June 30, 2025. The 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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United 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 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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
December 5, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	☒ No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	☒ None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	☒ No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN</u>
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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

Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	☒ Yes	☐ No
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(Continued)

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
YEAR ENDED JUNE 30, 2025

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

**CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2025**

Status of Prior Year Findings

There were no prior year audit findings.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Members of the Board of Education
Cumberland County School District
Burkesville, Kentucky

In planning and performing our audit of the basic financial statements of Cumberland County School District for the year ended June 30, 2025, 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 matters that are opportunities for strengthening internal controls and operating efficiency, then see our memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated December 5, 2025, on the basic financial statements of Cumberland County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
December 5, 2025

Prior Year Comments – School Activity Funds

Cumberland County Elementary

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Similar instances were identified in the current year. This is a repeat finding in the current year.

Cumberland County Middle School

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Similar instances were identified in the current year. This is a repeat finding in the current year.

Cumberland County High School

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Similar instances were identified in the current year. This is a repeat finding in the current year.

Current Year Comments –School Activity Funds

Cumberland County Elementary

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Management Response: From this point forward, invoices will be stamped after proper payment or cancellation. District CFO will provide a PAID or CANCELLED stamped for each bookkeeper.

2. Several instances of bank statements not being signed. Bank statements must be signed to indicate it has been properly reviewed.

Management Response: From this point forward, bank statements will be given to the principal upon receiving in the mail therefore they can sign before passing on to the bookkeeper.

Cumberland County Middle School

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Management Response: From this point forward, invoices will be stamped after proper payment or cancellation. District CFO will provide a PAID or CANCELLED stamped for each bookkeeper.

Cumberland County High School

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Management Response: From this point forward, invoices will be stamped after proper payment or cancellation. District CFO will provide a PAID or CANCELLED stamped for each bookkeeper.