

DATED JANUARY 5, 2026

NEW ISSUE

**Electronic Bidding via Parity®
Bank Interest Deduction Eligible
BOOK-ENTRY-ONLY SYSTEM**

**RATING
Moody's: " "**

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein)

\$1,875,000*
**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2026**

Dated with Delivery: FEBRUARY 3, 2026

Due: as shown below

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2026. The Bonds will mature as to principal on February 1, 2027, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing		Interest	Reoffering	CUSIP	Maturing		Interest	Reoffering	CUSIP
1-Feb	Amount*	Rate	Yield		1-Feb	Amount*	Rate	Yield	
2027	\$55,000	%	%	2037	\$25,000	%	%		
2028	\$55,000	%	%	2038	\$25,000	%	%		
2029	\$55,000	%	%	2039	\$30,000	%	%		
2030	\$60,000	%	%	2040	\$145,000	%	%		
2031	\$60,000	%	%	2041	\$150,000	%	%		
2032	\$20,000	%	%	2042	\$200,000	%	%		
2033	\$20,000	%	%	2043	\$210,000	%	%		
2034	\$25,000	%	%	2044	\$220,000	%	%		
2035	\$25,000	%	%	2045	\$230,000	%	%		
2036	\$25,000	%	%	2046	\$240,000	%	%		

The Bonds are subject to redemption prior to their stated maturity as described herein.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the East Bernstadt Independent School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the East Bernstadt Independent Board of Education.

The East Bernstadt (Kentucky) Independent School District Finance Corporation will until January 13, 2026, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street - 5th Floor, Frankfort, KY 40622.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$190,000.**

PURCHASER'S OPTION: The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.



**EAST BERNSTADT INDEPENDENT
BOARD OF EDUCATION**

Jim Sutton, Chairperson
Tom Caudel, Member
Tricia Mullins, Member
Jody Elza, Member
Mequeil Storm, Member

Vickie Jones, Superintendent/Secretary

**EAST BERNSTADT(KENTUCKY) INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION**

Jim Sutton, President
Tom Caudel, Member
Tricia Mullins, Member
Jody Elza, Member
Mequeil Storm, Member

Vickie Jones, Secretary
Adam Hooker, Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

US Bank Trust Company, National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the East Bernstadt Independent School District Finance Corporation School Building Revenue Bonds, Series of 2026, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

TABLE OF CONTENTS

	Page
Introduction	1
Book-Entry-Only System	1
The Corporation	3
Kentucky School Facilities Construction Commission	
No Participation in This Issue	3
Biennial Budget for Period Ending June 30, 2026	4
Outstanding Bonds	4
Authority	4
The Bonds	5
General	5
Registration, Payment and Transfer	5
Redemption	5
Security	5
General	5
The Lease; Pledge of Rental Revenues	5
Authorization of General Obligation Bonds	6
State Intercept	6
The Project	6
Additional Parity Bonds	6
Kentucky Department of Education Supervision	6
Estimated Bond Debt Service	7
Estimated Use of Bond Proceeds	8
District Student Population	8
State Support of Education	8
Support Education Excellence in Kentucky (SEEK)	8
Capital Outlay Allotment	8
Facilities Support Program of Kentucky	9
Local Support	10
Homestead Exemption	10
Limitation on Taxation	10
Local Thirty Cents Minimum	10
Additional 15% Not Subject to Recall	10
Assessment Valuation	10
Special Voted and Other Local Taxes	10
Local Tax Rates, Property Assessments and Revenue Collections	11
Overlapping Bond Indebtedness	11
SEEK Allotment	12
State Budgeting Process	12
Potential Legislation	13
Continuing Disclosure	13
Tax Exemption; Bank Qualified	13
Original Issue Premium	14
Original Issue Discount	14
Absence of Material Litigation	14
Approval of Legality	15
No Legal Opinion Expressed as to Certain Matters	15
Bond Rating	15
Municipal Advisor	15
Approval of Official Statement	15
Demographic and Economic Data	APPENDIX A
Financial Data	APPENDIX B
Continuing Disclosure Agreement	APPENDIX C
Official Terms & Conditions of Bond Sale	APPENDIX D
Official Bid Form	APPENDIX E

**OFFICIAL STATEMENT
Relating to the Issuance of**

\$1,875,000*

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE BONDS,
SERIES OF 2026**

**Subject to Permitted Adjustment*

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the East Bernstadt Independent School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2026 (the "Bonds").

The Bonds are being issued to finance renovations to the Elementary School (collectively, the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the East Bernstadt Independent Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the East Bernstadt Independent Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated February 3, 2026, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 101 South Fifth Street, Suite 3200, Louisville, Kentucky 40202.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants

of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

THE CORPORATION

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$117,389,800 in FY 2024-25 and \$126,743,000 in FY 2025-2026 to pay debt service on existing and future bond issues. There are \$85,000,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$40,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2028.

The 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for new debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	-	<u>Appropriation</u>
2000-02		8,100,000
2002-04		9,500,000
2004-06		14,000,000
2006-08		9,000,000
2008-10		10,968,000
2010-12		12,656,200
2012-14		8,469,200
2014-16		8,764,000
2016-18		23,019,400
2018-20		7,608,000
2020-22		2,946,900
2022-24		5,305,300
<u>2024-26</u>		<u>22,180,700</u>
Total		\$142,517,700

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 2000 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly adopted a budget for the biennial period ending June 30, 2026 which was approved and signed recently by the Governor. Such budget became effective July 1, 2024.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

OUTSTANDING BONDS

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2009	\$200,000	\$55,000	\$0	\$200,000	4.500%	2029
2011 QSCB	\$8,196,000	\$8,196,000	\$2,190,991	\$4,346,965	4.800%	2030
2012	\$2,135,000	\$1,070,000	\$2,135,000	\$0	2.650%	2032
2014	\$1,185,000	\$695,000	\$1,142,429	\$42,571	2.000% - 3.375%	2034
2019	\$2,005,000	\$1,715,000	\$1,888,337	\$116,663	3.000% - 3.250%	2039
2020	\$1,610,000	\$1,270,000	\$1,610,000	\$0	1.000% - 1.900%	2040
TOTALS:	\$15,331,000	\$13,001,000	\$8,966,757	\$4,706,199		

AUTHORITY

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$1,875,000 of Bonds subject to a permitted adjustment of \$190,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

THE BONDS

General

The Bonds will be dated February 3, 2026, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2026, and will mature as to principal on February 1, 2027, and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). US Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning August 1, 2026 (Record Date is 15th day of month preceding interest due date).

Redemption

The Bonds maturing on or after February 1, 2035, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after February 1, 2034, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Redemption Date	Redemption Price
February 1, 2034, and thereafter	100%

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a statutory mortgage lien on and pledge of revenue from the school building Project. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The Lease; Pledge of Rental Revenues

The Board has leased the school building Project securing the Bonds for an initial period from February 3, 2026, through June 30, 2026, with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2046, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

Authorization of General Obligation Bonds

The Kentucky Legislature recently passed and the Governor signed HB 727 which, 90 days after the adjournment of the Legislature, will authorize Kentucky Boards of Education to issue general obligation bonds within certain limitations prescribed by Kentucky law. The Board does not currently have any specific plan to issue general obligation bonds. Issuance by the Board of general obligation debt in the future would not affect either the Board's obligation to make lease payments to the Corporation for payment of debt service on the Bonds or the security for the Bonds.

STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations to the Elementary School (collectively, the "Project").

The Board has reported construction bids have been let for the Project and award of the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued there-under, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminated until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE. House Bill 727 of the 2024 Regular Session of the Kentucky General Assembly (2024 Ky Acts, Ch 126. Hereinafter re-ferred to as "HB 727"), enacted and effective April 24, 2024, extended the provisions of HB 678 through June 30, 2027.

Notwithstanding HB 678, and HB 727, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Restricted Fund Bond Payments	----- School Building Revenue Bonds, Series 2026 ----- (100% LOCAL)			Total Restricted Fund Bond Payments
		Principal	Interest	Total	
2026	\$525,515				\$525,515
2027	\$527,888	\$55,000	\$76,076	\$131,076	\$658,964
2028	\$524,753	\$55,000	\$74,851	\$129,851	\$654,604
2029	\$526,467	\$55,000	\$73,201	\$128,201	\$654,668
2030	\$526,274	\$60,000	\$71,551	\$131,551	\$657,825
2031	\$527,624	\$60,000	\$69,751	\$129,751	\$657,374
2032	\$405,102	\$20,000	\$67,711	\$87,711	\$492,812
2033	\$406,370	\$20,000	\$67,031	\$87,031	\$493,401
2034	\$398,666	\$25,000	\$66,351	\$91,351	\$490,017
2035	\$399,281	\$25,000	\$65,501	\$90,501	\$489,782
2036	\$399,171	\$25,000	\$64,651	\$89,651	\$488,822
2037	\$404,155	\$25,000	\$63,801	\$88,801	\$492,956
2038	\$408,203	\$25,000	\$62,769	\$87,769	\$495,972
2039	\$406,877	\$30,000	\$61,736	\$91,736	\$498,613
2040	\$108,088	\$145,000	\$60,498	\$205,498	\$313,585
2041	\$111,045	\$150,000	\$54,511	\$204,511	\$315,556
2042		\$200,000	\$48,317	\$248,317	\$248,317
2043		\$210,000	\$40,059	\$250,059	\$250,059
2044		\$220,000	\$30,712	\$250,712	\$250,712
2045		\$230,000	\$20,920	\$250,920	\$250,920
2046		\$240,000	\$10,682	\$250,682	\$250,682
Totals:	\$6,605,480	\$1,875,000	\$1,150,676	\$3,025,676	\$9,631,156

Note: Numbers are rounded to the nearest \$1.00.

ESTIMATED USE OF BOND PROCEEDS

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

Sources:	
Par Amount of Bonds	\$1,875,000.00
Total Sources	\$1,875,000.00
Uses:	
Deposit to Construction Fund	\$1,806,200.00
Underwriter's Discount (2%)	37,500.00
Cost of Issuance	31,300.00
Total Uses	\$1,875,000.00

DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the East Bernstadt Independent School District is as follows:

Year	Average Daily Attendance	Year	Average Daily Attendance
2004-05	450.9	2015-16	423.0
2005-06	455.0	2016-17	418.0
2006-07	451.6	2017-18	393.2
2007-08	464.8	2018-19	432.8
2008-09	465.4	2019-20	427.5
2009-10	457.7	2020-21	429.9
2010-11	464.8	2021-22	454.1
2011-12	463.1	2022-23	454.1
2012-13	463.0	2023-24	450.1
2013-14	437.4	2024-25	446.1
2014-15	418.5		

Source: Kentucky Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$4,000 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

Capital Outlay Allotment. The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the East Bernstadt Independent School District for certain preceding school years.

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
2004-05	45,090.0	2015-16	42,304.5
2005-06	45,500.0	2016-17	41,800.0
2006-07	45,160.0	2017-18	39,320.0
2007-08	46,480.0	2018-19	43,282.0
2008-09	46,535.0	2019-20	42,750.0
2009-10	45,772.1	2020-21	42,986.9
2010-11	46,481.9	2021-22	45,411.6
2011-12	46,308.4	2022-23	45,411.6
2012-13	46,304.0	2023-24	45,007.4
2013-14	43,737.4	2024-25	44,610.8
2014-15	41,851.9		

Source: Kentucky Department of Education.

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

Facilities Support Program of Kentucky. School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$49,100 effective January 1, 2025.

Limitation on Taxation. The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

Local Thirty Cents Minimum. Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

Additional 15% Not Subject to Recall. Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

Assessment Valuation. No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

Special Voted and Other Local Taxes. Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

Local Tax Rates, Property Assessments and Revenue Collections+

Tax Year	Combined Equivalent Rate	Total Property Assessment	Property Revenue Collections
2004-05	61.9	28,639,749	177,280
2005-06	64.0	29,407,136	188,206
2006-07	61.6	29,661,571	182,715
2007-08	64.0	40,368,518	258,359
2008-09	57.4	43,234,697	248,167
2009-10	57.4	41,332,932	237,251
2010-11	49.4	42,783,162	211,349
2011-12	106.4	46,988,269	499,955
2012-13	70.5	50,506,840	356,073
2013-14	81.2	53,666,416	435,771
2014-15	68.9	53,689,046	369,918
2015-16	66.9	49,812,492	333,246
2016-17	75.6	65,440,300	494,729
2017-18	72.3	73,028,045	527,993
2018-19	72.9	89,269,152	650,772
2019-20	69.6	89,326,118	621,710
2020-21	69.0	106,968,547	738,083
2021-22	67.3	66,148,764	445,181
2022-23	73.4	78,543,078	576,506
2023-24	64.1	86,587,964	555,029
2024-25	62.2	84,913,996	528,165

Source: Kentucky Department of Education.

OVERLAPPING BOND INDEBTEDNESS

The following table shows any other overlapping bond indebtedness of the East Bernstadt Independent School District or other issuing agency within Laurel County as reported by the State Local Debt Officer for the period ending June 30, 2025.

Issuer	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
County of Laurel			
General Obligation	64,990,000	22,240,000	42,750,000
Solid Waste Revenue	7,300,000	0	7,300,000
Multiple Purposes	2,280,000	1,995,000	285,000
Refinancing/Refunding Revenue	2,667,500	2,016,000	651,500
Justice Center/Courthouse Improvement	12,485,000	5,510,000	6,975,000
Special Districts			
East Laurel Water District	3,767,000	1,427,000	2,340,000
Laurel County Public Health Taxing District	5,650,000	4,190,000	1,460,000
Laurel County Public Library District	5,500,000	0	5,500,000
Laurel County Water District #2	9,500,000	961,500	8,538,500
Wood Creek Water District	21,037,500	7,036,100	14,001,400
Totals:	135,177,000	45,375,600	89,801,400

Source: 2025 Kentucky Local Debt Report.

SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2004-05	2,092,812	177,280	2,270,092
2005-06	2,219,039	188,206	2,407,245
2006-07	2,239,860	182,715	2,422,575
2007-08	2,533,838	258,359	2,792,197
2008-09	2,591,955	248,167	2,840,122
2009-10	2,236,466	237,251	2,473,717
2010-11	2,263,774	211,349	2,475,123
2011-12	2,490,895	499,955	2,990,850
2012-13	2,503,138	356,073	2,859,211
2013-14	2,440,887	435,771	2,876,658
2014-15	2,307,075	369,918	2,676,993
2015-16	2,323,542	333,246	2,656,788
2016-17	2,309,301	494,729	2,804,030
2017-18	2,132,226	527,993	2,660,219
2018-19	2,247,205	650,772	2,897,977
2019-20	2,282,208	621,710	2,903,918
2020-21	2,200,829	738,083	2,938,912
2021-22	2,633,911	445,181	3,079,092
2022-23	2,593,757	576,506	3,170,263
2023-24	2,552,320	555,029	3,107,349
2024-25	2,720,426	528,165	3,248,591

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.6220 for FY 2024-25. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
 - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
 - b) fails to comply with the law.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

As of the date of this Official Statement, the Corporation and the Board are in compliance "in all material respects" with the reporting requirements of the Rule for the past five years.

Financial information regarding the Board may be obtained from Superintendent, East Bernstadt Independent School District Board of Education, PO Box 128, 296 E. Hwy. 3094, East Bernstadt, Kentucky 40729, Telephone 606-843-7373.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation. However, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2026, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

Original Issue Premium

Certain of the Bonds may be initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

Certain of the Bonds (the "Discount Bonds") may be initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

BOND RATING

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the East Bernstadt Independent School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the East Bernstadt Independent Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the East Bernstadt Independent School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Municipal Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

APPENDIX A

**East Bernstadt Independent School District
Finance Corporation
School Building Revenue Bonds,
Series of 2026**

Demographic and Economic Data

EAST BERNSTADT, KENTUCKY

London, the county seat of Laurel County, is centrally positioned along Interstate 75 between the Daniel Boone and Cumberland Gap Parkways at the foothills of the Appalachian Mountains. London is near five state parks, two national parks, and is home to Laurel Lake. The city is located 78 miles south of Lexington, Kentucky; 97 miles north of Knoxville, Tennessee; and 149 miles southeast of Louisville, Kentucky. London had an estimated population of 7,871 in 2024.

Laurel County covers a land area of 436 square miles in Kentucky's Cumberland Valley Region. Laurel County had a 2024 estimated population of 63,552.

Transportation. Major highways directly serving London include Interstate 75, the Daniel Boone Parkway, the Cumberland Gap Parkway, and U.S. Highways 25 and 80. More than 20 trucking companies provide interstate or intrastate service to the area. Main line rail service is provided to London by CSX Transportation. The London-Corbin Airport maintains a 6,000-foot runway for private aircraft, one of the eight longest runways in Kentucky. The airport can accommodate aircraft as large as the Boeing 727 and Douglas DC-9 as well. The nearest scheduled commercial airline service is available at the Blue Grass Airport near Lexington, Kentucky, 78 miles north of London. Intermodal facilities are 97 miles away in Knoxville, Tennessee.

Power and Fuel. Electric power is provided to Laurel County by East Kentucky Power Cooperative's members of Cumberland Valley Electric Inc., Jackson Energy Cooperative and South Kentucky Rural Economic Cooperative Corporation, and Louisville Gas & Electric's Kentucky Utilities subsidiary. Delta Natural Gas Company provides natural gas service locally.

The Economic Framework. The total number of Laurel County residents employed in 2013 averaged 23,863. Manufacturing firms in the county provided 4,111 jobs; trade, transportation, and utilities provided 4,916 jobs; services provided 8,673 jobs; 841 people were employed in construction; state and local government provided 866 jobs; information services provided 841 jobs; financial activities provided 763 jobs; and mining operations provided 387 jobs.

Labor Supply. As of year-end 2012, there was an estimated labor supply of 22,220 persons available for industrial jobs in the labor market area. In addition, from 2014 through 2017, it is estimated that 17,611 young persons in the area will become 18 years of age and potentially available for industrial jobs.

Labor Market Statistics

The Laurel County Labor Market Area includes the adjoining Kentucky counties of Rockcastle, Clay, Jackson, Madison, Knox, Whitley, McCreary, and Pulaski.

Population Growth (in thousands)

<u>Description</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Laurel County	63,338	63,226	63,631
London	7,600	7,635	7,733

Source: Kentucky Cabinet for Economic Development.

Population Projections

<u>Description</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>
Laurel County	65,179	65,977	66,595

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

LOCAL GOVERNMENT

Structure

London is governed by a mayor and six (6) council members. The mayor is elected to a four-year term while the council members each serve two-year terms. Laurel County is governed by a county judge/executive and six (6) magistrates. Each county official serves a four-year term.

Planning and Zoning

Joint agency- London-Laurel County Joint Planning Commission
Participating city-London
Zoning enforced-Within city limits of London
Subdivision regulations enforced-All areas of Laurel County
Local codes enforced-Building and housing within city limits of London
Mandatory state codes enforced- Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA)

Local Fees and Licenses

Laurel County levies a 1.0 percent occupational license tax on wages, salaries, and commissions of individuals and on net profits of businesses.

Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100 percent of fair cash value. Accounts receivable are taxed at 85 percent of face value.

The table below lists the assessed property valuation of the county as reported by the Kentucky Department of Revenue, Frankfort, Kentucky:

Education

Primary and Secondary Education. Primary and secondary education is provided by the Laurel County School System and the East Bernstadt Independent School System. The county has one technical school, the Corbin Area Technology Center, located 13 miles from London. There are a total 16 technical schools within a 60-mile radius of London. In addition, eleven other colleges and universities with nineteen branches are located within 60 miles of London. All information is derived from the Kentucky Department of Education, Frankfort, Kentucky for the 2024-2025 academic year.

Public Schools	East Bernstadt Independent	Laurel County
Total Enrollment	463	8,178
Pupil-Teacher Ratio	14.0	15.0

Bluegrass State Skills Corporation. The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is a major source for skills training assistance for a new or existing company. The Corporation works in a partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

Area Colleges and Universities

Institution	Location	Undergraduate Enrollment (Fall 2025)
Asbury College	Wilmore	1,638
Berea College	Berea	1,472
Centre College	Danville	1,401
Eastern Kentucky University	Richmond	11,586
Union College	Barbourville	777
University of the Cumberlands	Williamsburg	3,335

Source: collegeboard.org

Area Technical Schools

Institution	Location	Enrollment (2023-2024)
Bell County ATC	Pineville	410
Breathitt County ATC	Jackson	357
Casey County ATC	Liberty	590
Clark County ATC	Winchester	573
Clay County ATC	Manchester	310
Corbin ATC	Corbin	619
Garrard County ATC	Lancaster	399
Jackson County ATC	McKee	302
Knox County ATC	Barbourville	325
Lake Cumberland ATC	Russell Springs	813
Lee County ATC	Beattyville	265
Leslie County ATC	Hyden	398
Lincoln County ATC	Stanford	277
Madison County ATC	Richmond	793
Pulaski County ATC	Somerset	297
Rockcastle County ATC	Mount Vernon	407
Wayne County ATC	Monticello	609

Source: Kentucky Department of Education

Existing Industry

London has a total of 981 businesses. In 2024, the leading industries in London were Education, Retail, Health Care and Social Services, and Manufacturing.

<u>Top Industries by Job</u>	<u>Number of Jobs</u>
Education	1,587
Retail	1,287
Health Services and Social Services	1,105
Manufacturing	893

Source: Kentucky Cabinet for Economic Development.

APPENDIX B

**East Bernstadt Independent School District
Finance Corporation
School Building Revenue Bonds
Series of 2026**

Audited Financial Statement ending June 30, 2025

**EAST BERNSTADT INDEPENDENT
SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025
with
REPORT OF INDEPENDENT AUDITORS**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to the Basic Financial Statements	17
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	47
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	48
Notes to Required Supplementary Information – Budget and Actual – General Fund and Special Revenue Fund.....	49
Schedule of the District's Proportionate Share of Net Pension Liability (Asset) – County Employees Retirement System	50

Schedule of District Contributions – County Employees Retirement System.....	51
Notes to Required Supplementary Information – County Employees Retirement System – Pension Fund.....	52
Schedule of the District's Proportionate Share of Net OPEB Liability (Asset) – County Employees Retirement System – Medical Insurance Plan	53
Schedule of District Contributions – County Employees Retirement System – Medical Insurance Plan.....	54
Notes to Required Supplementary Information – County Employees Retirement System – Medical Insurance Plan 55	
Schedule of the State's Proportionate Share of Net Pension Liability (Asset) – Kentucky Teachers' Retirement System	56
Schedule of State Contributions – Kentucky Teachers' Retirement System.....	57
Notes to Required Supplementary Information – Kentucky Teachers' Retirement System	58
Schedule of the District's Proportionate Share of Net OPEB Liability (Asset) – Kentucky Teachers' Retirement System – Medical Insurance Plan.....	59
Schedule of District's Contributions – Kentucky Teachers' Retirement System – Medical Insurance Plan.....	60
Notes to Required Supplementary Information – Kentucky Teachers' Retirement System – Medical Insurance Plan	61
Schedule of the State's Proportionate Share of Net OPEB Liability (Asset) – Kentucky Teachers' Retirement System – Life Insurance Plan.....	62
Schedule of State Contributions – Kentucky Teachers' Retirement System – Life Insurance Plan.....	63
Notes to Required Supplementary Information – Kentucky Teachers' Retirement System – Life Insurance Plan.....	64
Other Supplementary Information	
Combining Balance Sheet – Non-major Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	67
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds	68
Schedule of Expenditures of Federal Awards.....	70
Notes to the Schedule of Expenditures of Federal Awards.....	71

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	74
Schedule of Findings and Questioned Costs – Major Programs	78
Schedule of Prior Year Audit Findings.....	80
Independent Auditors' Transmittal Letter for Management Letter Comments	82
Management Letter Comments.....	83



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Bernstadt Independent School District (District), as of and for the year ended June 30, 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 15, 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 15, 2025

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025**

As management of the East Bernstadt Independent School District (District), we offer 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

- East Bernstadt Independent Schools served 530 enrolled students in a unique preK-8 public school district located in East Bernstadt, Kentucky. Throughout history, the East Bernstadt Independent School has been noted for their sense of tradition and academic excellence.
- The District ended the year with a cash balance of \$2,541,924 compared to \$1,968,111 in 2024.
- The District's General Fund recognized \$4,494,151 in revenue, excluding interfund transfers and capital lease proceeds, which primarily consisted of the state program (SEEK) and property, utility, and motor vehicle taxes. Excluding interfund transfers and capital expenditures, there was \$4,616,344 in General Fund expenditures.
- Bonds are issued as the District constructs/renovates facilities consistent with the District Facilities Plan approved by the Kentucky Department of Education. The District made \$527,754 in bond payments during the year. The School Facilities Construction Commission of the state of Kentucky assists or fully pays certain outstanding debt on behalf of the District. This totaled \$268,527. The Federal Government also assists the district in paying the outstanding debt of one bond issue. This amount totaled \$393,408.
- The District Food Service recognized revenues of \$510,442 and expenses of \$376,764, excluding interfund transfers.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

EAST BERNSTADT INDEPENDENT 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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$5,049,313 as of June 30, 2025.

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. The table below provides a summary of the District's net position for 2025 compared to 2024.

Net Position for the period ending June 30, 2025

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

	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 2,828,878	\$ 2,442,788
Capital assets	13,728,770	14,207,035
Total Assets	<u>\$ 16,557,648</u>	<u>\$ 16,649,823</u>
Deferred outflow of resources	<u>\$ 839,018</u>	<u>\$ 1,048,462</u>
Current liabilities	\$ 1,199,848	\$ 1,137,407
Noncurrent liabilities	10,043,408	10,939,752
Total Liabilities	<u>\$ 11,243,256</u>	<u>\$ 12,077,159</u>
Deferred inflow of resources	<u>\$ 1,104,097</u>	<u>\$ 1,238,162</u>
Net investment in capital assets	\$ 4,884,289	\$ 4,695,771
Restricted net position	630,175	367,504
Unrestricted net position	(465,151)	(680,311)
Total net position	<u>\$ 5,049,313</u>	<u>\$ 4,382,964</u>

A large portion of the District's net position reflects its net investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress). The District uses these capital assets to provide services to its students; consequently, the assets are not available for future spending.

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

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 restricted category of the District's net position represents resources that are subject to external restrictions on how they may be used. Restricted assets are mostly composed of remaining funds held for grant funding and construction purposes.

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 \$4,765,324; proprietary assets exceeded liabilities by \$283,989 and total assets exceeded liabilities by \$5,049,313 at June 30, 2025.

The District had an overall increase in unrestricted net position of \$215,160, comprised of an increase in governmental activities unrestricted net position of \$215,160.

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>
Revenues and other financing sources		
Local revenue sources	\$ 735,157	\$ 680,213
State revenue sources	5,443,971	5,161,766
Federal revenue	1,108,127	1,426,124
Total revenue	<u>7,287,255</u>	<u>7,268,103</u>
Expenditures and other financing uses		
Instruction	3,693,343	3,711,844
Student support services	207,749	209,862
Instructional support	303,508	303,145
District administration	380,578	364,715
School administration	210,569	207,254
Business operations	307,142	316,570
Plant operation and maintenance	463,197	562,858
Student transportation	160,421	133,241
Other instructional	4,187	398
Student activity expenditures	56,502	70,934
Community services	75,366	61,373
Building acquisition and construction	6,075	28,183
Debt service	21,122	1,212,579
Total expenditures	<u>7,089,862</u>	<u>7,182,956</u>
Excess revenues (expenditures)	<u>\$ 197,393</u>	<u>\$ 85,147</u>
Other financing sources (uses)		
Proceeds from disposal of assets	\$ 25,900	\$ -
Transfers in	754,483	733,644
Transfers out	(733,038)	(709,225)
Total other financing sources (uses)	<u>\$ 47,345</u>	<u>\$ 24,419</u>
Net change in fund balance	<u>\$ 244,738</u>	<u>\$ 109,566</u>

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

BUDGETARY IMPLICATION

In Kentucky, the public-school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$987,829 in contingency.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2025 were \$4,494,151 excluding transfers and proceeds from disposal of assets.
- General fund budgeted revenue, excluding transfers compared to actual revenue, excluding transfers, varied from line item to line item with the ending actual balance being \$228,091 or 5% more than budgeted.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2025 was \$4,616,344, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$1,085,618 or 19% less than budgeted. Of this, a contingency of \$987,829, or 17.30%, was included within the budgeted expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions regarding this report should be directed to Vicki Jones, Superintendent or Adam Hooker, District Finance Officer at 606-843-7373, or by mail at 229 School Street, East Bernstadt, KY 40729.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,103,355	\$ 438,569	\$ 2,541,924
Accounts receivable:			
Local	29,563	669	30,232
Intergovernmental - Federal	236,411	-	236,411
Net OPEB asset - CERS	15,103	5,208	20,311
Capital Assets, net			
Nondepreciable	283,343	-	283,343
Depreciable	13,353,083	92,344	13,445,427
Total assets	<u>16,020,858</u>	<u>536,790</u>	<u>16,557,648</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from pension - CERS	131,024	45,178	176,202
Deferred outflows from OPEB - CERS	37,506	12,932	50,438
Deferred outflows from OPEB - KTRS	612,378	-	612,378
	<u>780,908</u>	<u>58,110</u>	<u>839,018</u>
Total assets and deferred outflows of resources	<u>\$ 16,801,766</u>	<u>\$ 594,900</u>	<u>\$ 17,396,666</u>
LIABILITIES			
Accounts payable	\$ 76,192	\$ -	\$ 76,192
Accrued expense	167,450	-	167,450
Unearned revenue	125,560	-	125,560
Current portion of lease obligations	21,493	-	21,493
Current maturities of bond obligations	649,103	-	649,103
Current maturities of compensated absences	99,182	-	99,182
Interest payable	60,868	-	60,868
Net pension liability - CERS	521,638	179,866	701,504
Net OPEB liability - KTRS	789,000	-	789,000
Noncurrent portion of lease obligations	40,326	-	40,326
Noncurrent maturities of bond obligations	8,133,559	-	8,133,559
Noncurrent portion of compensated absences	379,019	-	379,019
Total liabilities	<u>11,063,390</u>	<u>179,866</u>	<u>11,243,256</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows from pension - CERS	189,676	65,402	255,078
Deferred inflows from OPEB - CERS	190,376	65,643	256,019
Deferred inflows from OPEB - KTRS	593,000	-	593,000
	<u>973,052</u>	<u>131,045</u>	<u>1,104,097</u>
Total liabilities and deferred inflows of resources	<u>12,036,442</u>	<u>310,911</u>	<u>12,347,353</u>
NET POSITION			
Net investment in capital assets	4,791,945	92,344	4,884,289
Restricted for:			
Capital expenditures	397,822	-	397,822
Other	40,708	191,645	232,353
Unrestricted	(465,151)	-	(465,151)
Total net position	<u>4,765,324</u>	<u>283,989</u>	<u>5,049,313</u>
Total liabilities and net position	<u>\$ 16,801,766</u>	<u>\$ 594,900</u>	<u>\$ 17,396,666</u>

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

EAST BERNSTADT INDEPENDENT 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	\$ 3,592,402	\$ -	\$ 1,670,911	\$ -	\$ (1,921,491)	\$ -	\$ (1,921,491)
Student support	229,496	-	106,744	-	(122,752)	-	(122,752)
Instructional staff support	305,238	-	141,974	-	(163,264)	-	(163,264)
District administrative support	382,341	-	177,836	-	(204,505)	-	(204,505)
School administrative support	210,569	-	97,940	-	(112,629)	-	(112,629)
Business support	307,142	-	142,859	-	(164,283)	-	(164,283)
Plant operations and maintenance	865,910	-	402,755	-	(463,155)	-	(463,155)
Student transportation	192,408	-	89,493	-	(102,915)	-	(102,915)
Food service operations	4,186	-	-	-	(4,186)	-	(4,186)
Student activity expenditures	21,122	-	11,771	-	(9,351)	-	(9,351)
Community service operations	75,366	-	35,055	-	(40,311)	-	(40,311)
Buildings acquisition & construction	6,075	-	2,826	-	(3,249)	-	(3,249)
Interest on long-term debt	554,687	-	-	996,119	441,432	-	441,432
Total governmental activities	6,746,942	-	2,880,164	996,119	(2,870,659)	-	(2,870,659)
Business-type activities							
Food service	376,764	13,780	489,796	-	-	126,812	126,812
After school child care	8,851	11,233	-	-	-	2,382	2,382
Total business-type activities	385,615	25,013	489,796	-	-	129,194	129,194
Total primary government	\$ 7,132,557	\$ 25,013	\$ 3,369,960	\$ 996,119	(2,870,659)	129,194	(2,741,465)
			General revenues				
			Taxes:				
Other non-instructional			Property		353,503	-	353,503
			Motor vehicle		56,546	-	56,546
			Utility		124,077	-	124,077
			Earnings on investments		41,234	6,866	48,100
			State grants		2,675,815	-	2,675,815
			Other local amounts		159,797	-	159,797
			Gain/(loss) on disposal of assets		25,900	-	25,900
			Transfers in (out)		21,444	(21,444)	-
			Total general revenues		3,458,316	(14,578)	3,443,738
			Change in net position		587,657	114,616	702,273
			Restated net position as of July 1, 2024		4,177,867	169,373	4,347,040
			Net position as of June 30, 2025		\$ 4,765,324	\$ 283,989	\$ 5,049,313

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,664,825	\$ -	\$ -	\$ 438,530	\$ 2,103,355
Accounts receivable:					
Local	29,563	-	-	-	29,563
Intergovernmental federal	-	236,411	-	-	236,411
Interfund receivable	110,851	-	-	-	110,851
Total assets	\$ 1,805,239	\$ 236,411	\$ -	\$ 438,530	\$ 2,480,180
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 76,192	\$ -	\$ -	\$ -	\$ 76,192
Accrued expense	167,450	-	-	-	167,450
Interfund payable	-	110,851	-	-	110,851
Unearned revenue	-	125,560	-	-	125,560
Total liabilities	243,642	236,411	-	-	480,053
Fund balances					
Nonspendable	11,961	-	-	-	11,961
Restricted	-	-	-	438,530	438,530
Committed	99,182	-	-	-	99,182
Assigned	99,746	-	-	-	99,746
Unassigned	1,350,708	-	-	-	1,350,708
Total fund balances	1,561,597	-	-	438,530	2,000,127
Total liabilities and fund balances	\$ 1,805,239	\$ 236,411	\$ -	\$ 438,530	\$ 2,480,180

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds	\$ 2,000,127
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.	13,636,426
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.	780,908
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.	(8,782,662)
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.	(61,819)
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.	(478,201)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,295,535)
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.	(973,052)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(60,868)</u>
Total net position - governmental activities	<u>\$ 4,765,324</u>

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

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes					
Property	\$ 226,133	\$ -	\$ -	\$ 127,371	\$ 353,504
Motor vehicle	56,546	-	-	-	56,546
Utility	124,076	-	-	-	124,076
Earnings on investments	39,207	-	-	2,027	41,234
Other local	52,991	28,295	-	-	81,286
Student activity revenue	-	-	-	78,511	78,511
Intergovernmental - State	3,986,738	461,115	268,525	727,594	5,443,972
Intergovernmental - Federal	8,460	727,362	372,305	-	1,108,127
Total revenues	4,494,151	1,216,772	640,830	935,503	7,287,256
Expenditures					
Current:					
Instruction	2,928,481	764,862	-	-	3,693,343
Student	91,894	115,855	-	-	207,749
Instructional support	109,105	194,403	-	-	303,508
District administration	380,578	-	-	-	380,578
School administration	210,569	-	-	-	210,569
Business support	295,102	12,040	-	-	307,142
Plant operations and maintenance	412,844	50,353	-	-	463,197
Student transportation	158,510	1,911	-	-	160,421
Food service operation	4,187	-	-	-	4,187
Student activity expenditures	-	-	-	56,502	56,502
Community services	-	75,366	-	-	75,366
Buildings acquisition & construction	-	-	-	6,075	6,075
Other	-	-	-	21,122	21,122
Debt service	25,074	-	1,175,029	-	1,200,103
Total expenditures	4,616,344	1,214,790	1,175,029	83,699	7,089,862
Excess (deficit) of revenues over (under) expenditures	(122,193)	1,982	(534,199)	851,804	197,394
Other financing sources (uses)					
Sale of assets	25,900	-	-	-	25,900
Transfers in	211,492	8,792	534,199	-	754,483
Transfers out	(8,792)	(10,774)	-	(713,473)	(733,039)
Total other financing sources (uses)	228,600	(1,982)	534,199	(713,473)	47,344
Net change in fund balance	106,407	-	-	138,331	244,738
Fund balance as of June 30, 2024	1,455,190	-	-	300,199	1,755,389
Fund balance as of June 30, 2025	\$ 1,561,597	\$ -	\$ -	\$ 438,530	\$ 2,000,127

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in total fund balances - governmental funds	\$ 244,738
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	(468,540)
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.	666,783
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	1,313
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities.	255,035
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>(111,672)</u>
Change in net position - governmental activities	<u>\$ 587,657</u>

EAST BERNSTADT INDEPENDENT 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	\$ 416,159	\$ 22,410	\$ 438,569
Accounts receivable	669	-	669
Net OPEB asset - CERS	5,208	-	5,208
Total current assets	422,036	22,410	444,446
Noncurrent assets			
Capital assets	415,948	-	415,948
Less accumulated depreciation	(323,604)	-	(323,604)
Total noncurrent assets	92,344	-	92,344
Total assets	514,380	22,410	536,790
Deferred outflow of resources			
Deferred outflows from pension - CERS	45,178	-	45,178
Deferred outflows from OPEB - CERS	12,932	-	12,932
	58,110	-	58,110
Total assets and deferred outflows of resources	\$ 572,490	\$ 22,410	\$ 594,900
LIABILITIES			
Noncurrent liabilities			
Net pension liability - CERS	179,866	-	179,866
Total liabilities	179,866	-	179,866
Deferred inflow of resources			
Deferred inflows from pension - CERS	65,402	-	65,402
Deferred inflows from OPEB - CERS	65,643	-	65,643
	131,045	-	131,045
Total liabilities and deferred inflows of resources	310,911	-	310,911
NET POSITION			
Net investment in capital assets	92,344	-	92,344
Restricted for:			
Other	169,235	22,410	191,645
Unrestricted	-	-	-
Total net position	261,579	22,410	283,989
Total liabilities and net position	\$ 572,490	\$ 22,410	\$ 594,900

EAST BERNSTADT INDEPENDENT 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	\$ 13,780	\$ -	\$ 13,780
Other	-	11,233	11,233
Total operating revenues	<u>13,780</u>	<u>11,233</u>	<u>25,013</u>
Operating expenses			
Salaries and wages	113,679	6,309	119,988
Employee benefits	41,682	1,758	43,440
Materials and supplies	210,442	784	211,226
Other	1,236	-	1,236
Depreciation	9,725	-	9,725
Total operating expenses	<u>376,764</u>	<u>8,851</u>	<u>385,615</u>
Operating income/(loss)	<u>(362,984)</u>	<u>2,382</u>	<u>(360,602)</u>
Nonoperating revenues			
Federal grants	397,651	-	397,651
State grants	58,034	-	58,034
Earnings on investments	6,866	-	6,866
Donated commodities	34,111	-	34,111
Total nonoperating revenues/(expenses)	<u>496,662</u>	<u>-</u>	<u>496,662</u>
Income before contributions, transfers, and special items	133,678	2,382	136,060
Transfers in (out)	<u>(21,444)</u>	<u>-</u>	<u>(21,444)</u>
Change in net position	112,234	2,382	114,616
Net position as of June 30, 2024	<u>149,345</u>	<u>20,028</u>	<u>169,373</u>
Net position as of June 30, 2025	<u>\$ 261,579</u>	<u>\$ 22,410</u>	<u>\$ 283,989</u>

EAST BERNSTADT INDEPENDENT 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	\$ 13,780	\$ -	\$ 13,780
Other activities	-	11,233	11,233
Cash paid to/for:			
Employees	(198,208)	(8,067)	(206,275)
Supplies	(177,567)	(784)	(178,351)
Net cash used in operating activities	(361,995)	2,382	(359,613)
Cash flows from non-capital financing activities			
Grants received	455,685	-	455,685
Transfer from (to) general fund	(21,444)	-	(21,444)
Net cash used in non-capital financing activities	434,241	-	434,241
Cash flows from investing activities			
Investment income	6,866	-	6,866
Net cash used in capital and related activities	6,866	-	6,866
Net increase/(decrease) in cash and cash equivalents	79,112	2,382	81,494
Cash and cash equivalents as of June 30, 2024	337,047	20,028	357,075
Cash and cash equivalents as of June 30, 2025	\$ 416,159	\$ 22,410	\$ 438,569
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	\$ (362,984)	\$ 2,382	\$ (360,602)
Adjustments to reconcile change in net position to net cash used in operating activities:			
Net change in pension expense and OPEB expense	(42,847)	-	(42,847)
Donated commodities	34,111	-	34,111
Depreciation	9,725	-	9,725
Net cash used in operating activities	\$ (361,995)	\$ 2,382	\$ (359,613)
Schedule of non-cash transactions:			
Depreciation	\$ 9,725	\$ -	\$ 9,725
Donated commodities	34,111	-	34,111
Total non-cash transactions	\$ 43,836	\$ -	\$ 43,836

1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the East Bernstadt Independent Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a summary of the basis of presentation:

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

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

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

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

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

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

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

The District has the following funds:

I. Government Fund Types

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

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

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

I. Government Fund Types - continued

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

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling.

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

II. Proprietary Fund Types (Enterprise Funds)

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

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

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

Basis of Accounting

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

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

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

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

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

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position proprietary funds as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2025, to finance the General Fund operations were \$.479 per \$100 valuation for real property, \$.479 per \$100 valuation for business personal property and \$.457 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, electric power, water, and natural, artificial and mixed gas. In addition, the District levies a utility gross receipts license tax in the amount of 4% of the gross receipts derived from the furnishings, within the county, of cablevision services.

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

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

Right-of-Use Assets

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

Interfund Receivables and Payables

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

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

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 costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

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

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

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

Cash and Cash Equivalents

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

Receivables

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

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used. The school food service fund inventory consists of food, supplies and U.S. Government commodities.

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

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

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

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

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

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

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

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

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

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

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

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

3. DEPOSITS AND INVESTMENTS

The District's deposits (demand deposit accounts) are carried at a 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:

	<u>Bank Balance</u>	<u>Book Balance</u>
Cumberland Valley National Bank	\$ 2,594,204	\$ 2,541,924
	<u>\$ 2,594,204</u>	<u>\$ 2,541,924</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 2,103,355
Proprietary funds	<u>438,569</u>
	<u>\$ 2,541,924</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 balances were exposed to custodial credit risk because of coverage by Federal Depository insurance, collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

3. DEPOSITS AND INVESTMENTS - CONTINUED

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2025, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk. Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

4 CAPITAL ASSETS

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

	June 30, 2024			June 30, 2025
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 1,052,706	\$ -	\$ -	\$ 1,052,706
Buildings	16,426,422	-	-	16,426,422
Technology equipment	182,465	-	-	182,465
Vehicles	450,547	-	-	450,547
General equipment	173,076	-	-	173,076
Construction work in progress	-	-	-	-
Total historical cost	18,285,216	-	-	18,285,216
Less accumulated depreciation	4,180,249	468,541	-	4,648,790
Governmental capital assets, net	<u>\$ 14,104,967</u>	<u>\$ (468,541)</u>	<u>\$ -</u>	<u>\$ 13,636,426</u>
Business-type Activities				
Buildings	\$ 40,500	\$ -	\$ -	\$ 40,500
Technology equipment	399	-	-	399
General equipment	375,049	-	-	375,049
Total historical cost	415,948	-	-	415,948
Less accumulated depreciation	313,880	9,724	-	323,604
Business-type capital assets, net	<u>\$ 102,068</u>	<u>\$ (9,724)</u>	<u>\$ -</u>	<u>\$ 92,344</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:

See table on next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

4. CAPITAL ASSETS - CONTINUED

Instruction	\$ 8,602
Student support services	21,746
Instructional staff support services	1,730
District administrative staff support	1,763
Plant operation and maintenance	402,713
Student transportation	31,987
	<u>31,987</u>
	<u>\$ 468,541</u>

5. LONG-TERM DEBT

Leases Payable

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

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2024	Debt Issued	Debt Paid	Balance June 30, 2025	Due Within One Year
2017 Issue	3/1/2027	2.55%	\$ 106,795	\$ 31,273	\$ -	\$ 11,349	\$ 19,924	\$ 9,836
2019 Issue	3/1/2029	3.00%	108,737	53,226	-	11,331	41,895	11,657
			<u>\$ 215,532</u>	<u>\$ 178,743</u>	<u>\$ -</u>	<u>\$ 22,680</u>	<u>\$ 61,819</u>	<u>\$ 21,493</u>

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

Year	Principal	Interest	Total
2025-26	21,493	1,765	23,258
2026-27	22,105	1,164	23,269
2027-28	8,980	547	9,527
2028-29	9,241	277	9,518
Totals	<u>\$ 61,819</u>	<u>\$ 3,753</u>	\$ 65,572
			<u>(3,753)</u>
			<u>61,819</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

5. LONG-TERM DEBT – CONTINUED

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 East Bernstadt Independent School District Finance Corporation. The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Final Maturity</u>
2009	\$ 200,000	3.50% - 4.50%	2029
2011	\$ 8,196,000	4.84%	2031
2012	\$ 2,135,000	1.10% - 2.65%	2032
2014	\$ 1,185,000	2.00% - 3.45%	2034
2017	\$ 106,795	2.55%	2027
2019	\$ 2,005,000	1.85% - 3.30%	2039
2019	\$ 108,737	3.00%	2029
2021	\$ 1,610,000	1.00% - 1.90%	2041

The District, through the General Fund, including utility taxes, the Facilities Support Program of Kentucky (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 East Bernstadt Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2025, for debt service (principal and interest) are as follows:

See table next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

5. LONG-TERM DEBT – CONTINUED

Year	East Bernstadt Independent School District		Kentucky School Facility Construction Commission		Federal Interest	Total Principal	Total Interest
	Principal	Interest	Principal	Interest			
2025-26	400,643	124,872	248,460	6,209	393,408	649,103	524,489
2026-27	410,057	117,832	249,046	5,534	393,408	659,103	516,774
2027-28	414,172	110,581	249,931	4,739	393,408	664,103	508,728
2028-29	423,256	103,211	250,847	3,822	393,408	674,103	500,441
2029-30	430,638	95,636	248,465	2,899	393,408	679,103	491,943
2030-31	2,097,844	87,824	239,303	2,304	196,704	2,337,147	286,832
2031-32	326,166	78,936	8,834	2,038	-	335,000	80,974
2032-33	335,993	70,377	9,007	1,763	-	345,000	72,140
2033-34	335,711	62,955	9,289	1,482	-	345,000	64,437
2034-35	345,920	53,361	9,080	1,191	-	355,000	54,552
2035-36	353,035	46,136	6,965	941	-	360,000	47,077
2036-37	367,816	36,339	7,184	723	-	375,000	37,062
2037-38	382,583	25,620	7,417	490	-	390,000	26,110
2038-39	392,341	14,536	7,659	249	-	400,000	14,785
2039-40	105,000	3,088	-	-	-	105,000	3,088
2040-41	110,000	1,045	-	-	-	110,000	1,045
	<u>\$ 7,231,175</u>	<u>\$ 1,032,349</u>	<u>\$ 1,551,487</u>	<u>\$ 34,384</u>	<u>\$ 2,163,744</u>	<u>\$ 8,782,662</u>	<u>\$ 3,230,477</u>

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

School Building Revenue Bonds	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
2009 Revenue	\$ 75,000	\$ -	\$ 10,000	\$ 65,000
2011 Building Revenue	4,066,765	-	344,103	3,722,662
2012 Revenue	1,315,000	-	120,000	1,195,000
2014 Revenue	795,000	-	50,000	745,000
2019 Revenue	1,765,000	-	50,000	1,715,000
2021 Revenue	1,410,000	-	70,000	1,340,000
Net Pension Liability (Asset)	947,847	-	246,343	701,504
Net OPEB CERS Liability (Asset)	(20,394)	-	(83)	(20,311)
Net OPEB KTRS Liability (Asset)	916,000	-	127,000	789,000
Compensated absences	366,530	111,671	-	478,201
	<u>\$ 11,636,748</u>	<u>\$ 111,671</u>	<u>\$ 1,017,363</u>	<u>\$ 10,731,056</u>

The change in compensated absences is presented as a net change.

6. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirements as described below. The two pension plans are County Employees Retirement System (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 Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service 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

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

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

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

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 19.71% of the employee's total compensation subject to contribution. The pension contribution rate was 19.71% and OPEB contribution rate was 0.00%.

6. RETIREMENT PLANS - CONTINUED

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
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

6. RETIREMENT PLANS - CONTINUED

TRS 4 Participation Date	On or after January 1, 2022
Unreduced retirement	Age 57 with 30 years service or at least 10 years service and 60 years old or at least 5 years service and 65 years old
Reduced retirement	At least 10 years service and 57 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 18%)
Retirement factors	1.7 - 2.15% per year of service up to 30, 2.2 – 2.4% per year of service for each year over 30
Final average salary	Average of the 5 highest annual salaries

KTRS also provides disability benefits for vested employees at a rate of sixty (60) percent of their final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees in TRS 1, TRS 2, and TRS 3 are required to contribute 12.855% of their salaries to the System. Non-university employees in TRS 4 are required to contribute 14.750% of their salaries to the system.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees in TRS 1 and TRS 2, 14.105% 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.

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) for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability (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:

See table on next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

6. RETIREMENT PLANS - CONTINUED

District's proportionate share of the CERS net pension liability (asset)	\$ 701,504
Commonwealth's proportionate share of the KTRS net pension liability (asset) associated with the District	<u>11,404,708</u>
	<u>\$ 12,106,212</u>

The net pension liability (asset) for each plan was measured as of June 30, 2024, and the total pension liability 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 of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.011730%.

For the year ended June 30, 2025, the District recognized pension expense (credit) of \$(106,758) related to CERS and \$741,265 related to KTRS. The District also recognized revenue of \$741,265 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,954	\$ -
Changes of assumptions	-	31,694
Net difference between projected and actual earnings on pension plan investments	48,178	93,280
Changes in proportion and differences between District contributions and proportionate share of contributions	3,911	130,104
District contributions subsequent to the measurement date	<u>90,159</u>	<u>-</u>
Total	<u>\$ 176,202</u>	<u>\$ 255,078</u>

6. RETIREMENT PLANS - CONTINUED

The \$90,159 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 (asset) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	(104,316)
2026	(37,331)
2027	(17,338)
2028	(10,050)
	<u>\$ (169,035)</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	2.30%	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	3.97%	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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate—For CERS, the discount rate used to measure the total pension liability (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 the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

6. RETIREMENT PLANS - CONTINUED

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:

	<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)	\$ 904,353	\$ 701,504	\$ 533,192
 KTRS	 6.10%	 7.10%	 8.10%
State's proportionate share of net pension liability (asset)	\$ -	\$ -	\$ -

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

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2025, 2024, and 2023 was \$135,378, \$85,604, and \$84,310, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2025, 2024, and 2023 were \$90,159, \$107,844, and \$113,304, respectively. The District met their contribution requirements.

7. OTHER POST-EMPLOYMENT BENEFITS PLAN

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

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

The state reports a liability (asset), 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:

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

Medical Insurance Plan

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

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

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

OPEB Liabilities (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 \$789,000 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 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 .035396%.

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)	\$ 789,000
Commonwealth's proportionate share of the KTRS net OPEB liability (asset) associated with the District	<u>719,000</u>
	<u>\$ 1,508,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$67,441 and revenue of \$67,441 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 237,000
Changes of assumptions	201,000	-
Net difference between projected and actual earnings on pension plan investments	-	25,000
Changes in proportion and differences between District contributions and proportionate share of contributions	276,000	331,000
District contributions subsequent to the measurement date	<u>135,378</u>	<u>-</u>
Total	<u>\$ 612,378</u>	<u>\$ 593,000</u>

The amount of \$135,378 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 (asset) in the year ended June 30, 2025. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2026	\$ (45,000)
2027	9,000
2028	5,000
2029	(42,000)
2030	(38,000)
After 2030	<u>(5,000)</u>
	<u>\$ (116,000)</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 included in the measurement:

See table on next page

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	6.75% 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	7.10%, net of OPEB plan investment expense, including inflation

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 1,048,000	\$ 789,000	\$ 547,000

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability	\$ 533,000	\$ 789,000	\$ 1,107,000

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

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

Life Insurance Plan

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

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

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

OPEB Liabilities (Assets), OPEB Expense, and 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 its 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) that was associated with the District were as follows:

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	16,000
	<u>\$ 16,000</u>

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 included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.94%
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.

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

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

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

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

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

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

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%

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

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 \$(20,311) 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 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 .011742%.

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)	\$ (20,311)
	<u>\$ (20,311)</u>

For the year ended June 30, 2025, the District recognized OPEB expense (credit) of \$42,846. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,268	\$ 159,810
Changes of assumptions	18,405	14,332
Net difference between projected and actual earnings on pension plan investments	17,854	36,389
Changes in proportion and differences between District contributions and proportionate share of contributions	2,911	45,488
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 50,438</u>	<u>\$ 256,019</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:

See table on next page

7. OTHER POST-EMPLOYMENT BENEFITS PLAN - CONTINUED

Year ended June 30:	
2025	\$ (79,841)
2026	(61,867)
2027	(55,288)
2028	(8,585)
2029	-
After 2029	-
	\$ (205,581)

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

Discount rate – For CERS, the Discount rate used to measure the total OPEB liability (asset) 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability (asset)	\$ 27,463	\$ (20,311)	\$ (60,480)

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:

	1% Decrease	Current Trend Rate	1% Increase
CERS			
District's proportionate share of net OPEB liability (asset)	\$ (48,867)	\$ (20,311)	\$ 12,954

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

8. 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.

9. OPERATING LEASES

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

10. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 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.

11. 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.

12. 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.

13. DEFICIT FUND BALANCES

The District did not have any funds with deficit balances at June 30, 2025. However, there may be funds with deficit operating balances.

14. COBRA

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2025

15. TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue	KETS	\$ 8,792
Operating	Special Revenue	General Fund	Indirect Cost	\$ 10,774
Operating	Building	General Fund	Capital Funds	\$ 179,274
Operating	Building	Debt Service	Debt Service	\$ 534,199
Operating	Food Service	General Fund	Indirect Cost	\$ 21,444

16. ON-BEHALF PAYMENTS

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

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

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 741,265
Health and life insurance contributions to the Teachers' Retirement System of Kentucky	67,441
Health and Life insurance	553,792
Other Less Federal	42,504
Federal	(66,684)
Technology	23,385
Debt Service	268,525
	<u>\$ 1,630,228</u>

17. FUND BALANCE DESIGNATIONS

The following funds had nonspendable fund balances as follows:

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

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 99,182	Sick Leave

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 99,746	Purchase obligations

**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED JUNE 30, 2025**

17. FUND BALANCE DESIGNATIONS - CONTINUED

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
School Activity	\$ 40,708	Activity Funds
Capital Outlay	\$ 90,023	Capital Outlay
Building Fund	\$ 244,979	Construction
Construction	\$ 62,820	Construction
Food Service	\$ 169,235	Food service operations
After School Child Care	\$ 22,410	Child care operations

18. INTERFUND PAYABLES

At June 30, 2025, there were interfund receivables of \$110,851 in the General Fund and interfund payables of the same amount in the Special Revenue Funds in order to zero the cash balance in the Special Revenue Fund.

19. 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.

20. 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 for government wide activities was decreased by \$35,924.

21. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 15, 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 or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 219,000	\$ 219,000	\$ 226,133	\$ 7,133
Motor vehicle	43,000	43,000	56,546	13,546
Utility	140,000	140,000	124,076	(15,924)
Earnings on investments	29,574	29,574	39,207	9,633
Other local	5,000	5,000	52,991	47,991
Intergovernmental - State	3,804,486	3,804,486	3,986,738	182,252
Intergovernmental - Federal	25,000	25,000	8,460	(16,540)
Total revenues	<u>4,266,060</u>	<u>4,266,060</u>	<u>4,494,151</u>	<u>228,091</u>
Expenditures				
Current:				
Instruction	2,905,361	2,905,361	2,928,481	(23,120)
Student	116,014	116,014	91,894	24,120
Instructional support	111,558	111,558	109,105	2,453
District administration	1,422,833	1,422,833	380,578	1,042,255
School administration	215,864	215,864	210,569	5,295
Business support	344,527	344,527	295,102	49,425
Plant operations and maintenance	417,819	417,819	412,844	4,975
Student transportation	136,087	136,087	158,510	(22,423)
Other instructional	7,139	7,139	4,187	2,952
Debt service	24,760	24,760	25,074	(314)
Total expenditures	<u>5,701,962</u>	<u>5,701,962</u>	<u>4,616,344</u>	<u>1,085,618</u>
Excess (deficit) of revenues over (under) expenditures	(1,435,902)	(1,435,902)	(122,193)	1,313,709
Other financing sources (uses)				
Sale of assets	-	-	25,900	25,900
Transfers in	55,115	55,115	211,492	156,377
Transfers out	(9,500)	(9,500)	(8,792)	708
Total other financing sources (uses)	<u>45,615</u>	<u>45,615</u>	<u>228,600</u>	<u>182,985</u>
Net change in fund balance	(1,390,287)	(1,390,287)	106,407	1,496,694
Fund balance as of June 30, 2024	-	-	1,455,190	1,455,190
Fund balance as of June 30, 2025	<u>\$ (1,390,287)</u>	<u>\$ (1,390,287)</u>	<u>\$ 1,561,597</u>	<u>\$ 2,951,884</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 26,000	\$ 26,000	\$ 28,295	\$ 2,295
Intergovernmental - State	444,576	444,576	461,115	16,539
Intergovernmental - Federal	409,646	409,646	727,362	317,716
Total revenues	880,222	880,222	1,216,772	336,550
Expenditures				
Current:				
Instruction	389,719	389,719	764,862	(375,143)
Student support services	143,437	143,437	115,855	27,582
Instructional support	188,000	188,000	194,403	(6,403)
Business support	24,900	24,900	12,040	12,860
Plant operations & maintenance	36,282	36,282	50,353	(14,071)
Student transportation	19,000	19,000	1,911	17,089
Community service	72,660	72,660	75,366	(2,706)
Land improvement	-	-	-	-
Total expenditures	873,998	873,998	1,214,790	(340,792)
Excess (deficit) of revenues over (under) expenditures	6,224	6,224	1,982	(4,242)
Other financing sources				
Operating transfers in	22,176	22,176	8,792	(13,384)
Operating transfers out	(25,000)	(25,000)	(10,774)	14,226
Total other financing sources	(2,824)	(2,824)	(1,982)	842
Net change in fund balance	3,400	3,400	-	3,400
Fund balance as of June 30, 2024	-	-	-	-
Fund balance as of June 30, 2025	\$ 3,400	\$ 3,400	\$ -	\$ (3,400)

EAST BERNSTADT INDEPENDENT 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. The Board has the ability to amend the working budget.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF 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	0.011730%	\$ 701,504	\$ 456,569	153.65%	61.61%
2024	0.014772%	\$ 947,847	\$ 462,058	205.14%	57.48%
2023	0.014549%	\$ 1,051,749	\$ 422,865	248.72%	52.42%
2022	0.014634%	\$ 933,032	\$ 401,329	232.49%	57.33%
2021	0.015620%	\$ 1,198,041	\$ 375,654	318.92%	47.81%
2020	0.012680%	\$ 971,123	\$ 409,034	237.42%	50.45%
2019	0.012680%	\$ 772,251	\$ 367,545	210.11%	53.54%
2018	0.014010%	\$ 820,048	\$ 325,776	251.72%	55.30%
2017	0.013280%	\$ 654,071	\$ 338,677	193.13%	55.50%
2016	0.013939%	\$ 599,314	\$ 346,546	172.94%	59.97%

EAST BERNSTADT INDEPENDENT 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	\$ 90,159	\$ 90,159	\$ -	\$ 456,569	19.75%
2024	\$ 107,844	\$ 107,844	\$ -	\$ 462,058	23.34%
2023	\$ 99,155	\$ 99,155	\$ -	\$ 422,865	23.40%
2022	\$ 86,251	\$ 86,251	\$ -	\$ 401,329	21.17%
2021	\$ 72,517	\$ 72,517	\$ -	\$ 375,654	19.30%
2020	\$ 78,944	\$ 78,944	\$ -	\$ 409,034	19.30%
2019	\$ 59,615	\$ 59,615	\$ -	\$ 367,545	16.22%
2018	\$ 47,172	\$ 47,172	\$ -	\$ 325,776	14.48%
2017	\$ 63,259	\$ 63,259	\$ -	\$ 338,677	18.68%
2016	\$ 56,958	\$ 56,958	\$ -	\$ 346,546	17.03%

EAST BERNSTADT INDEPENDENT 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 inflation assumption used to calculate the total pension liability decreased from 2.50% to 2.30%.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET) - MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 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 (asset)
2025	0.011742%	\$ (20,311)	\$ 456,569	-4.45%	104.89%
2024	0.014771%	\$ (20,394)	\$ 462,058	-4.41%	104.23%
2023	0.014546%	\$ 287,067	\$ 422,865	67.89%	60.95%
2022	0.014631%	\$ 280,103	\$ 401,329	69.79%	62.91%
2021	0.015615%	\$ 377,055	\$ 375,654	100.37%	51.67%
2020	0.012680%	\$ 232,177	\$ 409,034	56.76%	60.44%
2019	0.012680%	\$ 225,131	\$ 367,545	61.25%	57.62%
2018	0.014010%	\$ 281,649	\$ 325,776	86.45%	52.40%

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 YEAR ENDED JUNE 30, 2025

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2025	\$ -	\$ -	\$ -	\$ 456,569	0.00%
2024	\$ -	\$ -	\$ -	\$ 462,058	0.00%
2023	\$ 14,149	\$ 14,149	\$ -	\$ 422,865	3.39%
2022	\$ 21,272	\$ 21,272	\$ -	\$ 401,329	5.78%
2021	\$ 17,885	\$ 17,885	\$ -	\$ 375,654	4.76%
2020	\$ 19,470	\$ 19,470	\$ -	\$ 409,034	4.76%
2019	\$ 19,332	\$ 19,332	\$ -	\$ 367,545	5.26%
2018	\$ 15,311	\$ 15,311	\$ -	\$ 325,776	4.70%

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
YEAR ENDED JUNE 30, 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%.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF 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%	\$ 11,404,708	60.36%
2024	100%	\$ 12,244,328	57.68%
2023	100%	\$ 12,117,597	56.41%
2022	100%	\$ 9,018,761	65.59%
2021	100%	\$ 9,259,413	58.27%
2020	100%	\$ 9,043,796	58.80%
2019	100%	\$ 8,456,986	59.30%
2018	100%	\$ 17,826,690	39.83%
2017	100%	\$ 19,805,487	35.22%
2016	100%	\$ 15,501,046	42.49%

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
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	\$ 741,265	\$ 741,265	\$ -
2024	\$ 736,513	\$ 736,513	\$ -
2023	\$ 1,105,621	\$ 1,105,621	\$ -
2022	\$ 719,912	\$ 719,912	\$ -
2021	\$ 670,218	\$ 670,218	\$ -
2020	\$ 690,598	\$ 690,598	\$ -
2019	\$ 612,777	\$ 612,777	\$ -
2018	\$ 633,372	\$ 633,372	\$ -
2017	\$ 325,883	\$ 325,883	\$ -
2016	\$ 320,582	\$ 320,582	\$ -

EAST BERNSTADT INDEPENDENT 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%.

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET) - MEDICAL INSURANCE PLAN
 KENTUCKY TEACHERS' RETIREMENT SYSTEM
 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	0.035396%	\$ 789,000	\$ 703,000	\$ 2,865,419	27.54%	47.12%
2024	0.037618%	\$ 916,000	\$ 772,000	\$ 2,865,740	31.96%	52.97%
2023	0.051443%	\$ 1,277,000	\$ 420,000	\$ 2,812,481	45.40%	47.75%
2022	0.036975%	\$ 793,000	\$ 644,000	\$ 2,553,945	31.05%	51.74%
2021	0.034978%	\$ 883,000	\$ 707,000	\$ 2,369,481	37.27%	39.05%
2020	0.035079%	\$ 1,035,000	\$ 1,035,000	\$ 2,211,698	46.80%	32.58%
2019	0.035079%	\$ 1,159,000	\$ 999,000	\$ 2,241,670	51.70%	25.50%
2018	0.035079%	\$ 1,251,000	\$ 1,022,000	\$ 2,198,911	56.89%	21.18%

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

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

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2025	\$ 73,502	\$ 73,502	\$ -	\$ 2,865,419	3.00%
2024	\$ 85,972	\$ 85,972	\$ -	\$ 2,865,740	3.00%
2023	\$ 84,374	\$ 84,374	\$ -	\$ 2,812,481	3.00%
2022	\$ 76,618	\$ 76,618	\$ -	\$ 2,553,945	3.00%
2021	\$ 71,084	\$ 71,084	\$ -	\$ 2,369,481	3.00%
2020	\$ 66,351	\$ 66,351	\$ -	\$ 2,211,698	3.00%
2019	\$ 67,250	\$ 67,250	\$ -	\$ 2,241,670	3.00%
2018	\$ 65,967	\$ 65,967	\$ -	\$ 2,198,911	3.00%

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
YEAR ENDED JUNE 30, 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%.

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

	<u>State's proportion of net OPEB liability (asset)</u>	<u>State's proportionate share of the net OPEB liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total OBEP liability</u>
2025	100%	\$ 16,000	80.56%
2024	100%	\$ 19,000	76.91%
2023	100%	\$ 21,000	73.97%
2022	100%	\$ 9,000	89.15%
2021	100%	\$ 21,000	71.57%
2020	100%	\$ 19,000	73.40%
2019	100%	\$ 17,000	75.00%
2018	100%	\$ 14,000	79.99%

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN
KENTUCKY TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2025

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2025	\$ 1,960	\$ 1,960	\$ -
2024	\$ 1,901	\$ 1,901	\$ -
2023	\$ 1,593	\$ 1,593	\$ -
2022	\$ 1,313	\$ 1,313	\$ -
2021	\$ 704	\$ 704	\$ -
2020	\$ 821	\$ 821	\$ -
2019	\$ 595	\$ 595	\$ -
2018	\$ 601	\$ 601	\$ -

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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
YEAR ENDED JUNE 30, 2025

Changes of Benefit Terms

None.

Changes of Assumptions

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

OTHER SUPPLEMENTARY INFORMATION

EAST BERNSTADT INDEPENDENT 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>Construction Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 40,708	\$ 90,023	\$ 244,979	\$ 62,820	\$ 438,530
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 40,708</u>	<u>\$ 90,023</u>	<u>\$ 244,979</u>	<u>\$ 62,820</u>	<u>\$ 438,530</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	40,708	90,023	244,979	62,820	438,530
Total fund balances	<u>40,708</u>	<u>90,023</u>	<u>244,979</u>	<u>62,820</u>	<u>438,530</u>
Total liabilities fund balances	<u>\$ 40,708</u>	<u>\$ 90,023</u>	<u>\$ 244,979</u>	<u>\$ 62,820</u>	<u>\$ 438,530</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Total Non-major Governmental Funds
Revenues					
Taxes					
Property	\$ -	\$ -	\$ 127,371	\$ -	\$ 127,371
Earnings on investments	857	-	-	1,170	2,027
Student activity revenue	78,511	-	-	-	78,511
Intergovernmental - State	-	44,611	682,983	-	727,594
	<u>79,368</u>	<u>44,611</u>	<u>810,354</u>	<u>1,170</u>	<u>935,503</u>
Total revenues					
Expenditures					
Student activity expenditures	56,502	-	-	-	56,502
Buildings acquisition & construction	-	-	-	6,075	6,075
Other	21,122	-	-	-	21,122
	<u>77,624</u>	<u>-</u>	<u>-</u>	<u>6,075</u>	<u>83,699</u>
Total expenditures					
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(713,473)	-	(713,473)
	<u>-</u>	<u>-</u>	<u>(713,473)</u>	<u>-</u>	<u>(713,473)</u>
Total other financing sources (uses)					
Net change in fund balance	1,744	44,611	96,881	(4,905)	138,331
Fund balance as of June 30, 2024	38,964	45,412	148,098	67,725	300,199
Fund balance as of June 30, 2025	<u>\$ 40,708</u>	<u>\$ 90,023</u>	<u>\$ 244,979</u>	<u>\$ 62,820</u>	<u>\$ 438,530</u>

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ELEMENTARY AND

MIDDLE SCHOOL ACTIVITY FUNDS

YEAR ENDED JUNE 30, 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>
East Bernstadt Independent	\$ 38,964	\$ 79,368	\$ 77,624	\$ 40,708	\$ -	\$ -	\$ 40,708
Totals	\$ 38,964	\$ 79,368	\$ 77,624	\$ 40,708	\$ -	\$ -	\$ 40,708

See accompanying independent auditor's report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Pass-Through Grantor's Number	Federal Expenditures
Expenditures			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002-24	\$ 146,225
			<u>146,225</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027	3810002-25	125,726
Special Education Grants to States	84.027	3810002-24	29,948
			<u>155,674</u>
Special Education Preschool Grants	84.173	3800002-23	1,537
Special Education Preschool Grants	84.173	3800002-24	15,440
			<u>16,977</u>
Total Special Education Cluster			<u>172,651</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379X	122,449
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379X	164,166
			<u>286,615</u>
Rural Education	84.358	3140002-25	14,283
Rural Education	84.358	3140002-24	3,643
			<u>17,926</u>
Student Support and Academic Enrichment Program	84.424	3420002-24	2,546
			<u>2,546</u>
American Rescue Plan - Elementary and Secondary Schools Emergency Relief Fund (COVID-19)	84.425U	4300002-24	96,195
American Rescue Plan - Homeless Children and Youth	84.425U	563JA	5,204
			<u>101,399</u>
Total U.S. Department of Education			<u>727,362</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education:			
<i>Child Nutrition Cluster</i>			
National School Lunch Program (NSLP)	10.555	7750002-24	304,781
National School Lunch Program (NSLP) - Commodities	10.555	7750002-24	34,111
School Breakfast Program (SBP)	10.553	776005-24	91,351
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>430,243</u>
Fresh Fruit and Vegetable Program	10.560	7720012-25	1,519
			<u>1,519</u>
Total U.S. Department of Agriculture			<u>431,762</u>
Total federal expenditures			<u>\$ 1,159,124</u>

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

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2025 is \$34,111.

3. CLUSTER PROGRAMS

The following ALNs are considered cluster programs:

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

4. INDIRECT COST RATE

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

5. SIGNIFICANT ACCOUNTING POLICIES

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



Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Bernstadt Independent School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise East Bernstadt Independent School District's basic financial statements, and have issued our report thereon dated December 15, 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 15, 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
East Bernstadt Independent School District
East Bernstadt, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Bernstadt Independent School District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of 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 15, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST BERNSTADT INDEPENDENT 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	<u>✓</u>	No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u>	None reported
Noncompliance material to financial statement noted	_____	Yes	<u>✓</u>	No

Federal Awards

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN</u>
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			
Auditee qualified as low risk	<u>✓</u>	Yes	_____	No

(continued)

EAST BERNSTADT INDEPENDENT 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

EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2025

Summary of Prior Year Findings

There were no findings during the prior year.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

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

In planning and performing our audit of the basic financial statements of East Bernstadt Independent School District for the year ended June 30, 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 any matters we feel need reporting that are opportunities for strengthening internal controls and operating efficiency, they will be included on the following pages. This letter does not affect our report thereon dated December 15, 2025, on the basic financial statements of East Bernstadt Independent School District.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
December 15, 2025



**EAST BERNSTADT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2025**

Prior Year Comments – School Activity Funds

There were no comments made during the prior year.

Current Year Comments –School Activity Funds

There were no comments made during the year.

APPENDIX C

**East Bernstadt Independent School District
Finance Corporation
School Building Revenue Bonds,
Series of 2026**

Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of February 3, 2026, by and between the Board of Education of East Bernstadt, Kentucky ("Board"); the East Bernstadt Independent School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$1,875,000 of the Corporation's School Building Revenue Bonds, Series of 2026, dated as of February 3, 2026 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with fiscal year ending June 30, 2026, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material and tender offers;
- (9) Defeasance;
- (10) Release, substitution or sale of property securing the repayment of the security, if material;
- (11) Rating change;
- (12) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) Successor, additional or change in trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term “financial obligation” means:

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the

documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

3. SPECIAL REQUESTS FOR INFORMATION

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

4. DISCLAIMER OF LIABILITY

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. FINAL OFFICIAL STATEMENT

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

6. DURATION OF THE AGREEMENT

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

7. AMENDMENT; WAIVER

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does

not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. DEFAULT

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF EAST
BERNSTADT, KENTUCKY**

Chairperson

Attest:

Secretary

**EAST BERNSTADT INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

APPENDIX D

**East Bernstadt Independent School District
Finance Corporation
School Building Revenue Bonds,
Series of 2026**

Official Terms and Conditions of Bond Sale

**OFFICIAL
TERMS AND CONDITIONS OF BOND SALE**

\$1,875,000*

**East Bernstadt Independent School District Finance Corporation
School Building Revenue Bonds, Series of 2026
Dated February 3, 2026**

SALE: January 13, 2026 AT 11:00 A.M., E.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the East Bernstadt Independent School District Finance Corporation ("Corporation") will until January 13, 2026, at the hour of 11:00 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment* increasing or decreasing the issue by up to \$190,000.

**EAST BERNSTADT INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of East Bernstadt, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to KRS 162.120 through 162.290, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance Elementary School renovations (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2026; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the school building Project (the "Parity Bonds").

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2026, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

ADDITIONAL PARITY BONDS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from February 3, 2026, payable on August 1, 2026, and semi-annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$55,000	2037	\$25,000
2028	55,000	2038	25,000
2029	55,000	2039	30,000
2030	60,000	2040	145,000
2031	60,000	2041	150,000
2032	20,000	2042	200,000
2033	20,000	2043	210,000
2034	25,000	2044	220,000
2035	25,000	2045	230,000
2036	25,000	2046	240,000

*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$190,000 which may be applied in any or all maturities.

The Bonds maturing on or after February 1, 2035, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after February 1, 2034, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning August 1, 2026 (Record Date is the 15th day of month preceding interest due date).

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting www.rsamuni.com submitted manually, by facsimile or electronically via PARITY@.

(B) Electronic bids for the Bonds must be submitted through PARITY[®] and no other provider of electronic bidding services will be accepted. Subscription to the PARITY[®] Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY[®] conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY[®] shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY[®]. The use of PARITY[®] facilities are at the sole risk of the

prospective bidders. For further information regarding PARITY[®], potential bidders may contact PARITY[®], telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$1,837,500 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$1,875,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$190,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,685,000 or a maximum of \$2,065,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$1,875,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 13, 2026.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified,

and (b) Term Bonds will be subject to mandatory redemption by lot on February 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

STATE SUPPORT OF EDUCATION

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,326) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles

certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget becomes effective beginning July 1, 2024. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at www.osbd.ky.gov.

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, East Bernstadt Independent Board of Education, PO Box 128, East Bernstadt, Kentucky 40729, Telephone 606.843.7373.

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of computing the Federal alternative minimum tax, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2026, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

BOOK-ENTRY-ONLY-SYSTEM

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**EAST BERNSTADT INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

**by /s/ Vicki Jones
Secretary**

APPENDIX E

**East Bernstadt Independent School District
Finance Corporation
School Building Revenue Bonds,
Series of 2026**

Official Bid Form

OFFICIAL BID FORM

(Bond Purchase Agreement)

The East Bernstadt Independent School District Finance Corporation (“Corporation” or “Issuer”), will until 11:00 A.M., E.S.T., on January 13, 2026, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$1,875,000 School Building Revenue Bonds, Series of 2026, dated February 3, 2026; maturing February 1, 2027 through 2046 (“Bonds”).

We hereby bid for said \$1,875,000* principal amount of Bonds, the total sum of \$_____ (not less than \$1,837,500) plus accrued interest from February 3, 2026 payable August 1, 2026 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2027	\$55,000	_____ %	2037	\$25,000	_____ %
2028	55,000	_____ %	2038	25,000	_____ %
2029	55,000	_____ %	2039	30,000	_____ %
2030	60,000	_____ %	2040	145,000	_____ %
2031	60,000	_____ %	2041	150,000	_____ %
2032	20,000	_____ %	2042	200,000	_____ %
2033	20,000	_____ %	2043	210,000	_____ %
2034	25,000	_____ %	2044	220,000	_____ %
2035	25,000	_____ %	2045	230,000	_____ %
2036	25,000	_____ %	2046	240,000	_____ %

* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$2,065,000 of Bonds or as little as \$1,685,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for

purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 13, 2026.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY[®] and no other provider of electronic bidding services will be accepted. Subscription to the PARITY[®] Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY[®] conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY[®] shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY[®]. The use of PARITY[®] facilities are at the sole risk of the prospective bidders. For further information regarding PARITY[®], potential bidders may contact PARITY[®], telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on February 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-797-6421).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about February 3, 2026 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from February 3, 2026 to final maturity	\$ _____
Plus discount or less any premium	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost	_____ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Municipal Advisor and Agent for the East Bernstadt Independent School District Finance Corporation for \$ _____ amount of Bonds at a price of \$ _____ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>		<u>Year</u>	<u>Amount</u>	<u>Rate</u>	
2027	_____,000	_____	%	2037	_____,000	_____	%
2028	_____,000	_____		2038	_____,000	_____	
2029	_____,000	_____		2039	_____,000	_____	
2030	_____,000	_____		2040	_____,000	_____	
2031	_____,000	_____		2041	_____,000	_____	
2032	_____,000	_____		2042	_____,000	_____	
2033	_____,000	_____		2043	_____,000	_____	
2034	_____,000	_____		2044	_____,000	_____	
2035	_____,000	_____		2045	_____,000	_____	
2036	_____,000	_____		2046	_____,000	_____	

Dated: January 13, 2026

RSA ADVISORS, LLC
as Agent for the East Bernstadt Independent
School District Finance Corporation