

**REPORT OF THE AUDIT OF THE  
KENTUCKY ARTISAN CENTER AT BEREA**

**For The Fiscal Year Ended  
June 30, 2025**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
auditor.ky.gov**

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**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

*Independent Auditor's Report*

Todd Finley, Executive Director  
Kentucky Artisan Center at Berea  
Board of Directors

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

***Opinion***

We have audited the accompanying financial statements of the Kentucky Artisan Center at Berea (Center), a discretely presented component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis-of-Matter (Reporting Entity)***

As discussed in Note 2, the financial statements present only the Center and are not intended to present fairly the financial position of the Commonwealth of Kentucky, or the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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Todd Finley, Executive Director  
Kentucky Artisan Center at Berea  
December 11, 2025

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

The Center's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Center'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.

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

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 opinion. 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 GAAS 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 GAAS, 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 Center'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 Center's ability to continue as a going concern for a reasonable period of time.

Todd Finley, Executive Director  
Kentucky Artisan Center at Berea  
December 11, 2025

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 on pages 7 through 12, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Proportionate Share of the Net OPEB Liability and the Schedule of Employer's Contributions for both Pensions and OPEB on pages 41 through 45 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of the Center's internal control over financial reporting and on our test 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Respectfully Submitted,

*Allison Ball*

Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

December 11, 2025



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**KENTUCKY ARTISAN CENTER at BEREAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025**

Management's discussion and analysis of the financial performance of the Kentucky Artisan Center at Berea (Center) provides an overview of the financial activities of the Center for the year ended June 30, 2025, and should be read in conjunction with the financial statements.

The Center was created as an economic development initiative to encourage educational and cultural activities, public gatherings, cultural heritage tourism, and retail sales of Kentucky artisan arts and crafts. The operations of the Center began in July of 2003. The Center displays and sells work by over 800 vendors living and working in over 100 counties of Kentucky. Since the closing of rest areas north of the Center in 2006, the Center has also served as the only mid-state rest area/traveler information center on I-75.

The Center is accounted for as an enterprise fund, reporting on all the activities, assets, and liabilities using the accrual basis of accounting much like a private business entity. The Commonwealth of Kentucky provides significant operating support to the Center creating a financial benefit/burden relationship. The Center is included in the Commonwealth of Kentucky's Annual Comprehensive Financial Report as a discretely presented component unit. This annual report consists of financial statements, notes to the financial statements, and required supplementary information.

**Financial Highlights**

During fiscal year 2025, charges for services or revenues generated by the Center totaled \$1,091,834, a decrease of \$257,902 from fiscal year 2024. The Center's revenues have been impacted by consumer confidence, the general economy, and increased competition.

- During FY 2025, the Center hosted 146,023 visitors, a decrease of 18,998 visitors from FY 2024. The decrease is believed to be a result of fierce marketing from a nearby competitor.
- During October 2024 (FY 2025), the Center was closed for several days during the craft festival, in order to make critical water repairs due to water main breaks. Also, the Center's retail and café areas were closed several days in the winter months due to inclement weather, although restrooms remained open due to their essential nature. These closures resulted in a decrease in revenue but also a continued expense.
- The Center continues to cross-train employees to handle unanticipated needs including motor coach tourism and other business with a reduced staff.
- The Center continues to experience repeat out of state visitors along I-75.
- The Center continues to promote visitation to the motor coach tour operating companies in order to bring more vacationers to the property to increase revenue in retail and cafe operations.

**KENTUCKY ARTISAN CENTER at BEREAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025  
(Continued)**

**Overview of Financial Statements**

The Statement of Net Position presents information on the Center's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. The changes in net position over time may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the Center's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents the receipts and usage of cash and cash equivalents. Only transactions that affect the Center's cash account typically are reported in the Statement of Cash Flows.

The notes to the financial statements provide additional information that is essential to fully understand the financial statements.

**Financial Analysis**

For the fiscal year ended June 30, 2025, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,601,827.

• Total Assets

Total assets consist primarily of cash and cash equivalents, investments, inventories, and capital assets.

• Capital Assets

As a newly opened facility in FY 2004, the Center's investment in capital assets was substantial. Funding for the purchase of significant capital assets was provided by the Commonwealth of Kentucky, as part of the biennial budget, appropriated by the legislature in 1998 and 2000. Capital assets include buildings, kitchen equipment, maintenance equipment, decorative window panels, furnishings, retail fixtures, and data processing equipment.

Capital assets net of accumulated depreciation amount to \$6,116,846. See Note 4 for additional information related to capital assets.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2025**  
**(Continued)**

**Financial Analysis (Continued)**

• Total Liabilities

Liabilities totaled \$5,482,505 and included accounts payable, the net pension liability, the net other post-employment benefits (OPEB) liability, and compensated absences. The net pension liability of \$4,956,028 comprises 90% of all liabilities while OPEB comprises 5% or \$292,228 of total liabilities, resulting in retirement obligations of \$5,248,256 or 95% percent of total liabilities. Together the net pension liability and net OPEB liability represent the Center's proportionate share of the related Kentucky Employees Retirement System Non-Hazardous Plan's collective liability. The liability represents the actuarial present value of projected benefit payments for employee services. This is a long-term liability which will be paid over the retirees' lifetime.

Table 1 presents the Center's condensed Statement of Net Position as of June 30, 2025, and June 30, 2024, derived from the Statements of Net Position for the respective years.

**Table 1**  
**Condensed Statement of Net Position**  
**As of June 30**

	2025	2024	Percentage Increase (Decrease)
Current Assets	\$ 1,910,958	\$ 1,620,142	17.95%
Capital Assets - net	<u>6,116,846</u>	<u>6,001,662</u>	1.92%
Total Assets	<u>8,027,804</u>	<u>7,621,804</u>	5.33%
Deferred Outflows of Resources	<u>609,486</u>	<u>1,213,549</u>	-49.78%
Current Liabilities	211,688	180,297	17.41%
Non-Current Liabilities	<u>5,270,817</u>	<u>5,887,043</u>	-10.47%
Total Liabilities	<u>5,482,505</u>	<u>6,067,340</u>	-9.64%
Deferred Inflows of Resources	<u>552,958</u>	<u>661,254</u>	-16.38%
Invested in Capital Assets			
Net of Related Debt	6,116,846	6,001,662	1.92%
Unrestricted	(3,515,019)	(3,894,903)	-9.75%
Total Net Position	<u>\$ 2,601,827</u>	<u>\$ 2,106,759</u>	23.50%

**KENTUCKY ARTISAN CENTER at BERA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025  
(Continued)**

**Operating and Non-operating Revenues**

- Retail sales of artisan products totaled \$925,057 during FY 2025, a decrease of \$206,575, from FY 2024.
- Café receipts for FY 2025 were \$188,650, a decrease of \$29,454 from FY 2024.
- The Center's retail and café operations collect state and local tax, and the Center transfers those funds to the Kentucky Department of Revenue and the City of Berea monthly by debiting its restricted revenue account. During FY 2025, a total of \$61,431 in Kentucky Sales Taxes were collected and transferred to the Kentucky Revenue Cabinet, and \$5,248 was collected and paid to the City of Berea.
- To support operations in FY 2025, the Center had available, general funds, and restricted revenues generated during the year, and carry-forward restricted funds from previous years.

Tables 2 and 3 present the Center's condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2025, and June 30, 2024.

**Table 2  
Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30**

	2025	2024	Percentage Increase (Decrease)
<b>Operating Revenues:</b>			
Charges for services	\$ 1,091,834	\$ 1,349,736	-19.11%
Total Operating Revenues	<u>1,091,834</u>	<u>1,349,736</u>	-19.11%
Total Operating Expenses	<u>2,687,748</u>	<u>2,970,590</u>	-9.52%
<b>Non-operating Revenues (Expenses):</b>			
State Appropriation	1,529,115	1,208,200	26.56%
Grant Revenue	<u>590,000</u>	<u>—</u>	
Net Non-operating Revenues	<u>2,119,115</u>	<u>1,208,200</u>	75.39%
Change in Net Position	<u>523,201</u>	<u>(412,654)</u>	-226.79%
Net Position at July 1, previously reported	2,106,759		
Restatements	<u>(28,133)</u>		
Net Position at July 1, as restated	<u>2,078,626</u>	<u>2,519,413</u>	-17.50%
Net Position at June 30	<u>\$ 2,601,827</u>	<u>\$ 2,106,759</u>	23.50%

**KENTUCKY ARTISAN CENTER at BEREA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2025**  
**(Continued)**

**Operating Expenses**

The majority of operating expenses is attributable to personnel and retirement costs (\$1,527,735 or 57%) and costs of sales (\$563,346 or 21%) of which \$478,844 was for retail goods and \$84,502 was for café food. Utilities were \$74,536, an increase of \$965 (or 1.31%) in FY 2025. Repairs and maintenance were \$50,245, a decrease of \$95,389.

**Table 3**  
**Condensed Financial Information**  
**Operating Expenses**  
**For the Years Ended June 30**

	2025	2024	Percentage Increase (Decrease)
Operating Expenses:			
Personnel services	1,192,911	1,143,062	4.36%
Cost of goods sold	563,346	650,655	-13.42%
Pension expense	460,864	592,057	-22.16%
OPEB expense	(126,040)	(67,297)	87.29%
Depreciation expense	125,686	120,763	4.08%
Utilities and other services	74,536	73,570	1.31%
Telecommunications & computer services	97,429	104,939	-7.16%
Supplies	57,450	73,932	-22.29%
Repairs and maintenance	50,245	145,634	-65.50%
Advertising and promotions	11,637	7,402	57.22%
Banking and financial services	22,208	25,730	-13.69%
Professional fees	46,500	36,781	26.42%
Rentals	12,611	10,838	16.36%
Other general expenses	96,738	44,082	119.45%
Postage	1,627	2,518	-35.39%
Travel	—	5,924	-100.00%
Total Operating Expenses	<u>\$ 2,687,748</u>	<u>\$ 2,970,590</u>	-9.52%

**KENTUCKY ARTISAN CENTER at BEREAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2025  
(Continued)**

**Economic Factors**

In FY 2025, the Center received funds from the general fund. Operating expenses have continued to be closely monitored by the Center in order to maximize operating profits.

**Requests for Information**

This financial report is designed to provide the public and other interested parties with an overview of the financial results of the Center's activities and to show the Center's accountability for the revenue that it generates. If you have any questions about this report or need additional financial information, contact the Kentucky Tourism, Arts, and Heritage Cabinet.

## **FINANCIAL STATEMENTS**



**KENTUCKY ARTISAN CENTER at BEREAL**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

**Assets**

## Current Assets:

Cash and cash equivalents (Note 2, Note 3)	\$ 223,668
Investments (Note 2, Note 3)	1,080,361
Accounts receivable (net)	13,743
Inventory	593,186
Total Current Assets	<u>1,910,958</u>

## Non-Current Assets:

## Capital assets (Note 4):

Land	1,166,778
Building	6,706,472
Equipment	774,874
Fixtures	389,227
Less: Accumulated depreciation	<u>(2,920,505)</u>
Total Capital assets	<u>6,116,846</u>
Total Non-Current Assets	<u>6,116,846</u>

Total Assets	<u>8,027,804</u>
Deferred Outflows of Resources	<u>609,486</u>

**Liabilities**

## Current Liabilities:

Accounts payable (Note 5)	75,743
Compensated absences (Note 6)	135,945
Total Current Liabilities	<u>211,688</u>

## Non-Current Liabilities:

Compensated absences (Note 6)	22,561
Net pension liability (Note 7)	4,956,028
Net OPEB liability (Note 7)	292,228
Total Non-Current Liabilities	<u>5,270,817</u>

Total Liabilities	<u>5,482,505</u>
Deferred Inflows of Resources	<u>552,958</u>

**Net Position**

Invested in Capital Assets, net of related debt	6,116,846
Unrestricted	<u>(3,515,019)</u>
Total Net Position	<u>\$ 2,601,827</u>

**KENTUCKY ARTISAN CENTER at BEREAL  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
For The Year Ended June 30, 2025**

Operating Revenues:

Charges for sales and services	\$ 1,091,834
Total Operating Revenues	<u>1,091,834</u>

Operating Expenses:

Personnel services	1,192,911
Cost of goods sold	563,346
Pension expense	460,864
OPEB expense	(126,040)
Depreciation expense	125,686
Utilities and other services	74,536
Telecommunications & computer services	97,429
Supplies	57,450
Repairs and maintenance	50,245
Advertising and promotion	11,637
Banking & financial services	22,208
Professional fees	46,500
Rentals	12,611
Other general expenses	96,738
Postage	1,627
Total Operating Expenses	<u>2,687,748</u>
Net loss from operations	<u>(1,595,914)</u>

Non-Operating Revenues (Expenses):

State Appropriation	1,529,115
Grant Revenue	590,000
Net non-operating revenues	<u>2,119,115</u>

Change in Net Position	<u>523,201</u>
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Net Position at July 1, previously reported	2,106,759
Restatements	(28,133)
Net Position at July 1, as restated	<u>2,078,626</u>
Net Position at June 30	<u>\$ 2,601,827</u>

**KENTUCKY ARTISAN CENTER at BEREAL  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2025**

**Cash flows from operating activities:**

Cash received from customers	\$ 1,100,783
Cash payments to suppliers for goods and services	(845,638)
Cash payments for personnel services	<u>(1,660,406)</u>
Net cash provided by (used in) operating activities	<u>(1,405,261)</u>

**Cash flows from non-capital financial activities:**

State appropriation	1,529,115
Grant	<u>590,000</u>
Net cash provided by (used in) non-capital financing activities	<u>2,119,115</u>

**Cash flows from capital and related financing activities:**

Purchase of capital assets	<u>(240,870)</u>
Net cash provided by (used in) capital and financing activities	<u>(240,870)</u>

**Cash flows from investing activities:**

Purchase of investment securities	<u>(388,017)</u>
Net cash provided by (used in) investment activities	<u>(388,017)</u>
Net increase (decrease) in cash and cash equivalents	<u>84,967</u>
Cash and Cash Equivalents, July 1	138,701
Cash and Cash Equivalents, June 30	<u>\$ 223,668</u>

**Reconciliation of operating income to net cash provided****by operating activities:**

Operating income (loss)	\$ (1,595,914)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	125,686
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in assets:	
Net receivables	8,950
Inventories	173,218
(Increase) decrease in deferred outflows of resources	604,063
Increase (decrease) in liabilities:	
Accounts payable	(31,030)
Pension liability	(514,965)
OPEB liability	(41,404)
Short Term Compensated absences	34,288
Long Term Compensated absences	(59,857)
Increase (decrease) in deferred inflows of resources	<u>(108,296)</u>
Net cash provided by operating activities	<u>\$ (1,405,261)</u>

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## **NOTES TO THE FINANCIAL STATEMENTS**



**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025**

**Note 1 - Organization**

The Kentucky Artisan Center at Berea (Center) was created during the Governor Paul E. Patton administration as an economic development initiative. Executive Order 99-331 established the Center for the purpose of hosting various educational exhibitions, public gatherings, cultural activities, generating retail sales of arts and crafts, and hosting other cultural activities for the state of Kentucky. The Center is designed to be an economic generator both on site through sales and throughout the state through referrals and information provided. Products sold are all made in Kentucky and include crafts, arts, specialty foods, music recordings, videotapes, and books. The Center also maintains and operates the Café, located within the facility.

The Center is a state authority that was originally administratively attached to the Tourism Development Cabinet and is now attached to the Tourism, Arts & Heritage Cabinet.

The funds for construction of the site were appropriated by the Kentucky legislature in 1998 and 2000. The development of the Center and the oversight of its activity is provided by a thirteen-member board of directors, the Kentucky Artisan Center at Berea Authority Board, and assisted by numerous partnerships among cabinets within state government, city and county government, colleges, other organizations and agencies, and individuals interested in the Center's mission and goals.

**Note 2 - Summary of Significant Accounting Policies**

**Reporting Entity**

In accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Center has adopted the provisions under which the financial statements include all the organizations, activities, functions, and component units for which the Center is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Center. The Center has determined that no outside agency meets the above criteria, and therefore, no other agency has been included as a component unit in the Center's financial statements.

The Commonwealth of Kentucky provides significant operating support to the Center creating a financial benefit/burden relationship with the Commonwealth. Therefore, the Commonwealth includes the Center in its Annual Comprehensive Financial Report as a discretely presented component unit. The accompanying financial statements are not intended to present the financial position or the results of operations and cash flows of the Commonwealth of Kentucky or its proprietary funds, and therefore, the Commonwealth is not included in this report.

**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation and Accounting**

The Center's financial statements are prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Center are discussed below.

The financial statements of the Center have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accordingly, revenues are recognized when they are earned and become measurable, and expenses are recognized at the time liabilities are incurred.

The accompanying Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses as either operating or non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the ongoing operations. The principal operating revenues of the Center are charges to customers for sales of Kentucky made products, as well as income derived from Café operations. Operating expenses include the cost of sales and services, selling and administrative expenses, marketing expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities to disclose contingent assets and liabilities at the date of the financial statements and to disclose the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Center currently uses a commercial bank for depositing funds received from daily activity. These funds are then electronically transferred to the Commonwealth of Kentucky's depository.

For financial statement purposes, the Center considers all highly liquid investments with maturity of three months or less to be cash equivalents.

**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Investments**

The Center participates in the Commonwealth of Kentucky's investment pool, which holds investments both for its own benefit and as an agent for other related parties. Investments are valued at their fair values in the Statement of Net Position. Unrealized gains and losses are included in the change in net position in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

**Inventories**

Inventories primarily consist of merchandise and food for resale and include Kentucky artisan crafts, arts, specialty foods, music recordings, videotapes, and books. Retail merchandise inventories are valued at average cost as of June 30, 2025, after the close of business. The average cost for all items is updated continuously by the Center's point of sale software. Café food inventory is valued at cost.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are carried at cost less accumulated depreciation. The Center capitalizes capital assets when the useful life is greater than one year and the acquisition cost meets the capitalization threshold. All land and infrastructure are capitalized. Buildings and equipment are capitalized when the acquisition cost is \$5,000 or greater.

Depreciation on capital assets is computed using the straight-line depreciation method over the estimated useful lives of the assets. The following table summarizes the estimated useful lives used in computing depreciation:

<b>Asset</b>	<b>Useful Life</b>
Buildings and Improvements	10 - 75 years
Machinery and Equipment	3 - 25 years
Furniture and Fixtures	3 - 25 years

Depreciation expense for the fiscal year ended June 30, 2025, was \$125,686.

**Operating Activities**

The Center defines operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the Center's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state general fund appropriations, gifts, and investment income, are recorded as non-operating revenues in accordance with GASB Statement No. 34.

**KENTUCKY ARTISAN CENTER at BEREA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Pensions and OPEB**

For purposes of measuring the net pension liability/OPEB liability, the following accounts are included: deferred outflows of resources, deferred inflows of resources, and pension/OPEB expense. Information about the fiduciary net position of the Kentucky Retirement System (KRS) and additions to/deductions from KRS's fiduciary net positions have been determined on the same basis as they are reported by KRS (See Note 7 and Note 8).

**Note 3 - Changes in Accounting Principles, Reporting Practices, and Prior-Period Adjustments**

GASB Statement No. 101 - Compensated Absences was implemented during fiscal year 2025 and resulted in a change to accounting principles. As a result, Net position at July 1, as restated, resulted in a decrease of \$28,133.

GASB Statement No. 101 enhances the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. It is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement requires that liabilities for compensated absences be recognized for leave that has not been used, and leave that has been used but not yet paid in cash or settled through noncash means.

GASB Statement No. 102 - Certain Risk Disclosures was implemented during fiscal year 2025. The statement requires a government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

**Note 4 - Cash, Cash Equivalents, and Investments**

The Center participates in the Commonwealth's cash and investment pool, which is available for use by all funds and component units under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. Therefore, it follows the Commonwealth's policies for all pooled cash and investments. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Annual Comprehensive Financial Report. As of June 30, 2025, the carrying value of the Center's pooled cash and cash equivalents totaled \$223,668, and the fair value of the Center's investments was \$1,080,361. Please refer to the Commonwealth's Annual Comprehensive Financial Report for information and disclosure.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable Capital Assets:				
Land	\$ 1,166,778	\$ —	\$ —	\$ 1,166,778
Total Non-depreciable Assets	<u>1,166,778</u>	<u>—</u>	<u>—</u>	<u>1,166,778</u>
Depreciable Capital Assets:				
Building	6,706,472	—	—	6,706,472
Equipment	591,846	190,831	(7,803)	774,874
Fixtures	359,504	50,039	(20,316)	389,227
Total Depreciable Capital Assets	<u>7,657,822</u>	<u>240,870</u>	<u>(28,119)</u>	<u>7,870,573</u>
Less Accumulated Depreciation:				
Building	(1,962,973)	(95,150)	—	(2,058,123)
Equipment	(501,610)	(27,650)	7,803	(521,457)
Fixtures	(358,355)	(2,886)	20,316	(340,925)
Total Accumulated Depreciation	<u>(2,822,938)</u>	<u>(125,686)</u>	<u>28,119</u>	<u>(2,920,505)</u>
Net Capital Assets	<u>\$ 6,001,662</u>	<u>\$ 115,184</u>	<u>\$ —</u>	<u>\$ 6,116,846</u>

**Note 6 - Disaggregation of Accounts Payable**

Accounts payable are amounts owed by the Center as of June 30, 2025. The liabilities will be paid within one year and are therefore considered current. The following table shows the disaggregation of the amounts reported as accounts payable as of June 30, 2025:

Current Payables	
Personnel Services	\$ 62,905
Cost of Goods Sold	6,996
Sales Tax	5,842
Total Current Payables	<u>\$ 75,743</u>

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 7 - Compensated Absences**

The Center follows the policy of the Commonwealth of Kentucky to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 15 hours per month, determined by the length of service, with maximum accumulations ranging from 30 to 60 days. The estimated liability and change in the estimated liability for compensated absences from the Center as of June 30, 2025, are:

	<u>Beginning Balance</u> <u>(as restated)</u>	<u>Net Change</u>	<u>Ending balance</u>	<u>Due Within</u> <u>One Year</u>
Annual Leave	\$ 76,467	\$ 8,910	\$ 85,377	\$ 81,109
Compensatory Leave	46,083	(19,351)	26,732	25,396
Sick Leave	61,524	(15,127)	46,397	29,440
<b>Total</b>	<b>\$ 184,074</b>	<b>\$ (25,568)</b>	<b>\$ 158,506</b>	<b>\$ 135,945</b>

**Note 8 - Retirement Plan and Employee Benefit Plan**

**Plan Description**

All full-time employees of the Center who work more than one hundred hours per month participate in a multiple-employer cost-sharing defined benefit pension plan. The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The plan provides retirement, health, disability, and death benefits to plan participants. Cost-of-living adjustments are provided at the discretion of the State Legislature. Employees contribute 5% of creditable compensation. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system as required by Kentucky Revised Statutes 61.565 and 61.702.

The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget. At June 30, 2025, the Center reported a liability of \$4,956,028 for its proportionate share of the collective net pension liability. The Center's proportionate share is 0.041130% at June 30, 2024. This percentage is based on the long-term share of contributions of the Center to the total of all contributions from employers of qualifying participants.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as KRS has changed its name to the Kentucky Public Pensions Authority (KPPA), due to House Bill 484 passed during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the General Assembly. House Bill 8, passed during the 2021 legislative session, changed how employer contributions are allocated and collected from the participating employers in the KERS Non-Hazardous Plan. As a result of this legislation, several employers experienced a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Non-Hazardous Plan from 2020 to 2021.

**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025  
(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

**Plan Description (Continued)**

Kentucky Revised Statutes 61.510 through 61.705 establish and govern the plan. KERS issues a publicly available financial report that can be obtained at [kyret.ky.gov](http://kyret.ky.gov).

The net pension liability and deferred outflows/inflows of resources related to pensions, and pension expenses, have been determined on the same basis as they are reported by the Kentucky Retirement Systems. 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.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

**Plan Description (Continued)**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
	Participation Prior to 09/01/2008	Participation on 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
<b>Benefit Formula:</b>	(Final Compensation) X ( Benefit Factor) X ( Years of Service)		Cash Balance Plan
<b>Final Compensation:</b>	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
<b>Benefit Factor:</b>	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
<b>Reduced Retirement Benefit:</b>	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

**KERS Non-Hazardous Membership**

	<b>Non-Hazardous</b>
Retirees and Beneficiaries Receiving Benefits	48,409
Inactive Plan Members	55,980
Active Plan Members	31,383
<b>Total</b>	<b>135,772</b>

The total pension liability described in this report is based on the plan membership as of June 30, 2024.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

**Actuarial Assumptions and Valuation**

Changes in actuarial assumptions related to the pension liability are reflected below.

State Contribution	67.75% (prior year 59.02%)
Member Contribution	5.00 %
Actuarial Valuation Date	June 30, 2023 with roll-forward from the valuation date to the plan's fiscal year 2024 (measurement date) using generally accepted actuarial principle
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment Rate of Return	5.25 %
Inflation Rate	2.5% (prior year 2.3%)
Payroll Growth	0.00%
Projected Salary Increases	3.30% to 15.3% (varies by service)
Mortality Tables	System-specific mortality table from 2013-2018, projected with the ultimate rates of MP 2014 mortality improvements scale using a base year of 2019.
Experience Study	The period July 1, 2018 - June 30, 2022. The prior year used July 1, 2014 - June 30, 2018.
Change in Assumptions	House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option Form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact on the total pension liability.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

Actuarial Assumptions and Valuation (Continued)

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	30.00 %	4.15 %
Private Equity	6.00 %	9.10 %
Core Bonds	27.00 %	2.85 %
Specialty Credit/High Yield	20.00 %	3.82 %
Cash	2.00 %	1.70 %
Real Estate	5.00 %	4.90 %
Real Return	10.00 %	8.35 %
Total	<u>100.00 %</u>	

The actuarial valuation date is June 30, 2023, upon which the total pension liability is based. The pension liability was determined using the standard roll forward techniques. The roll forward calculation adds the annual normal cost, subtracts the actual benefit payments, and refunds for the plan year, and then applies the expected investment rate of return for the year.

A single discount rate of 5.25% was used to measure the total pension liability for the fiscal year ending June 30, 2024. These single discount rates are based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were separately projected and each was sufficient to finance all the future projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system.

The projection of cash flows used to determine the single discount rate assumes that the State contributes the actuarial determined contribution rate in all future years. The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefits payments. The pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all benefit payments of current plan members. A municipal bond rate was not used.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

Actuarial Assumptions and Valuation (Continued)

The following presents the net pension liability of the Center, calculated using the discount rate of 5.25%, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%):

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.25 %</u>	<u>5.25 %</u>	<u>6.25 %</u>
Kentucky Artisan Center's Proportionate Share	\$ 5,736,941	\$ 4,956,028	\$ 4,309,072

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, the Center recognized pension expenses of \$460,864 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 93,977	\$ —
Changes in Assumptions	—	—
Net Difference between Projected and Actual Earnings on Investments	—	41,816
Change in Proportionate Share	—	201,571
Contributions Subsequent to the Measurement Date	387,713	—
<b>Total</b>	<b><u>\$ 481,690</u></b>	<b><u>\$ 243,387</u></b>

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 8 - Retirement Plan and Employee Benefit Plan (Continued)**

Deferred Outflows and Inflows of Resources (Continued)

The \$387,713 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expenses as shown below:

Amortization of Deferred Inflows / Outflows		
2026	\$	(129,753)
2027		9,918
2028		(16,823)
2029		(12,752)
2030		—
Thereafter		—

Pension Plan Fiduciary Net Position

The Center's fiduciary net position has been determined on the same basis used by KRS. KRS' combined financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. See KRS' annual financial report previously referenced for further discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year.

**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025  
(Continued)**

**Note 9 - Other Postemployment Benefits**

**Plan Description and Covered Employees**

The KERS Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). It is a cost-sharing OPEB plan. Contribution rates for employers and employees are established by Kentucky Statutes. Members participating prior to September 2008 do not contribute to the OPEB plan directly; instead, assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. Members participating on or after September 2008 contribute 1% of their official salary. Employer contribution rates are actuarial determined and established in the Budget Bill. At June 30, 2025, the Center reported a liability of \$292,228 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability is based on an actuarial valuation performed as of June 30, 2023. The OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end of June 30, 2024. The total OPEB liability was determined by an actuarial valuation as of the same date. The Center's proportionate share is 0.040416% at June 30, 2024. This percentage is based on the long-term share of contributions of the Center to the total of all contributions from employers of qualifying participants.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as KRS has changed its name to the Kentucky Public Pensions Authority (KPPA), due to House Bill 484 passed during the 2020 Regular Session of the Kentucky General Assembly and House Bill 9 passed during the 2021 Regular Session of the Kentucky General Assembly.

Publicly available financial reports for the Kentucky Retirement Systems can be accessed at [kyret.ky.gov](http://kyret.ky.gov).

The net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expenses, have been determined on the same basis as they are reported by the Kentucky Retirement Systems. For this purpose, the Center recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 9 - Other Postemployment Benefits (Continued)**

**Plan Description and Covered Employees (Continued)**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
	Participation prior to 07/01/2003	Participation between 07/01/2003 and 08/31/2008	Participation on or after 09/01/2008
<b>Plan Administrator:</b>	The plan is administered by the Kentucky Employees Retirement System.		
<b>Covered Employees:</b>	Recipient of a retirement benefit from Kentucky Employees Retirement System are eligible to receive health care benefits.		
<b>Benefit Factor:</b>	Participation prior to 7/1/2003 hospital and medical insurance premium payment for retiree and their qualifying dependence based on years of service (visit <a href="https://kyret.ky.gov">https://kyret.ky.gov</a> for more details).	On or after 7/1/2003 but before 9/1/2008 employee must have 10 years of earned service at retirement to be eligible for insurance benefit. Benefit of \$10.00 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually.	Participation on or after 09/01/2008 employee must have 15 years of earned service at retirement to be eligible for insurance benefit. Benefit of \$10.00 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually.
<b>Cost of Living Adjustment (COLA):</b>	Members participating after 2008 receive 1.50% increase annually.		
<b>Contribution Rate:</b>	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. No member contribution.	Contribution rates for the employer are actuarially determined. Member contribution of 1% of salary. Members hired on or after July 1, 2023 increase the dollar contribution for members by \$5 for each year of service a member attains over certain thresholds, depending on eligibility requirements.

Senate Bill 209, passed during the 2023 Regular Session of the Kentucky General Assembly, also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. In general, allowing members to receive reimbursement to participate in health plans other than those administered by KPPA would increase the utilization of the dollar benefit. The current election assumption for future members receiving the dollar insurance benefit is 100%, so there is no immediate change in the total OPEB liability for active members due to this benefit change. For current retirees and beneficiaries eligible for the dollar insurance benefit who have not yet elected coverage, we have assumed 50% would elect coverage under this benefit change.

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 9 - Other Postemployment Benefits (Continued)**

**KERS Non-Hazardous Membership**

	Non-Hazardous
Retirees and Beneficiaries Receiving Benefits	29,590
Inactive Plan Members	16,541
Active Plan Members	31,187
Total	<u><u>77,318</u></u>

The total OPEB liability described in this report is based on the plan membership as of June 30, 2024.

**Actuarial Assumptions and Valuation**

**OPEB Actuarial Assumptions and Valuation**

State Contribution	7.10% (prior year 7.81%)
Member Contribution	Participation prior to 09/01/2008 make no contribution. Participation on or after 09/01/2008 contribute 1%.
Employer Contributions	\$63,457
Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry age normal, level percentage of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Investment Rate of Return	6.25% (prior year 6.50%)
Inflation Rate	2.30 %
Payroll Growth	0.00%
Projected Salary Increases	3.30% to 15.30% (varies by service)
Healthcare Cost Trend Rates	Age Pre-65 Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Age Post-65 Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality Tables	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Experience Study	July 1, 2018 - June 30, 2022 (prior year July 1, 2014 - June 30, 2018)

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 9 - Other Postemployment Benefits (Continued)**

**Actuarial Assumptions and Valuation (Continued)**

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	40.00 %	4.15 %
Private Equity	8.00 %	9.10 %
Specialty Credit/High Yield	25.00 %	3.82 %
Core Bonds	10.00 %	2.85 %
Cash	2.00 %	1.70 %
Real Estate	7.00 %	4.90 %
Real Return	8.00 %	5.15 %
<b>Total</b>	<b>100.00 %</b>	

The discount used to measure the total OPEB liability was 6.00%, an increase from the prior year's rate of 5.94%. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97% as reported in Fidelity Index's "20-Year Municipal Go AA Index" as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that plan member contributions would be made at the current contribution rate. The employer contribution will be made at the actuarially determined contribution rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System's actuarial determined contributions, and the subsidy will not be paid out of the System's trust.

The following table presents the net OPEB liability calculated using a discount as well as what the liability would be if it was using a discount rate that is 1% point lower (5.00%) or 1% point higher (7.00%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
Kentucky Artisan Center's Proportionate Share, Net OPEB Liability (Assets)	\$ 403,770	\$ 292,228	\$ 197,936

**KENTUCKY ARTISAN CENTER at BEREAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2025**  
**(Continued)**

**Note 9 - Other Postemployment Benefits (Continued)**

Actuarial Assumptions and Valuation (Continued)

The following table presents the new OPEB liability of the KERS OPEB Plan calculated using the healthcare cost trend rate of 6.30% decreasing to 4.05% over 13 years for participants, 65 and older. 14 years for participants younger than 65. The OPEB liability is calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	Healthcare Cost		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Kentucky Artisan Center's Proportionate Share, Net OPEB Liability (Assets)	\$ 216,757	\$ 292,228	\$ 379,634

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2025, the Artisan Center recognized OPEB income of \$(126,040). Deferred outflows and deferred inflows related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 22,953	\$ 241,602
Changes in Assumptions	17,841	10,696
Net Difference between Projected and Actual Earnings on Investments	—	21,697
Change in Proportionate Share	63,326	35,576
Contributions Subsequent to the Measurement Date	23,675	—
Total	<u>\$ 127,795</u>	<u>\$ 309,571</u>

**KENTUCKY ARTISAN CENTER at BEREAL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2025  
(Continued)**

**Note 9 - Other Postemployment Benefits (Continued)**

**Deferred Inflows/Outflows of Resources (Continued)**

The \$23,675 reported as deferred outflows of resources related to OPEB resulting from contributions after the measurement date will be recognized as a reduction of net OPEB liability during the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized as OPEB expense as follows:

	Amortization of Deferred Inflows / Outflows
2026	\$ (148,071)
2027	(42,209)
2028	(9,389)
2029	(5,782)
2030	—
Thereafter	—

**Note 10 - Related Parties**

On occasion, board members or their organizations, colleges, or governmental units will use the Center's private dining and conference rooms at no charge. In addition, by statute, two members of the Authority Board are on the staff of Berea College, and the Center purchases items for resale from Berea College's Crafts Program. The College regularly sells work wholesale to other retailers.

**REQUIRED SUPPLEMENTARY INFORMATION**



**KENTUCKY ARTISAN CENTER at BEREAL  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025**

**Schedule of Proportionate Share of the Net Pension Liability**

As of the measurement date

	2025	2024	2023	2022	2021
Employer's Portion of the collective Net Pension Liability (Assets)	0.041130%	0.044400%	0.037058%	0.037840%	0.032870%
Employer's share of the net Pension Liability	\$ 4,956,028	\$ 5,470,993	\$ 4,916,612	\$ 5,039,019	\$ 4,655,921
Covered Employee Payroll	\$ 821,334	\$ 668,082	\$ 505,144	\$ 513,476	\$ 489,324
Employer's Proportionate share of the Net Pension Liability as a percentage of Covered Payroll	603.41%	818.91%	973.31%	981.35%	951.50%
Plan fiduciary net position as a percentage of total pension liability	25.96%	22.32%	18.51%	18.45%	14.01%
	2020	2019	2018	2017	2016
Employer's Portion of the collective Net Pension Liability (Assets)	0.031473%	0.033534%	0.033500%	0.035889 %	0.035604%
Employer's share of the net Pension Liability	\$ 4,444,932	\$ 4,561,890	\$ 4,485,628	\$ 4,091,158	\$ 3,571,738
Covered Employee Payroll	\$ 498,266	\$ 512,149	\$ 536,803	\$ 585,359	\$ 551,832
Employer's Proportionate share of the Net Pension Liability as a percentage of Covered Payroll	892.08%	890.73%	835.62%	698.91%	647.25%
Plan fiduciary net position as a percentage of total pension liability	13.66%	12.84%	13.32%	14.80%	18.83%

**Schedule of Employer's Contributions Pension**

As of the fiscal year end

	2025	2024	2023	2022	2021
Actuarially required contribution	\$ 387,669	\$ 434,401	\$ 459,628	\$ 375,669	\$ 415,813
Employer Contribution in relation to the actuarial contribution	387,713	434,401	466,335	375,669	376,160
Contribution deficiency (excess)	\$ (44)	\$ —	\$ (6,707)	\$ —	\$ 39,653
Covered-employee payroll	\$ 821,334	\$ 736,024	\$ 668,082	\$ 505,145	\$ 513,476
Contribution as a percentage of Covered Employee Payroll	47.21 %	52.68 %	69.80 %	74.37 %	73.26 %
	2020	2019	2018	2017	2016
Actuarially required contribution	\$ 408,243	\$ 353,919	\$ 203,890	\$ 208,977	\$ 182,531
Employer Contribution in relation to the actuarial contribution	332,878	347,232	210,289	253,636	184,141
Contribution deficiency (excess)	\$ 75,365	\$ 6,687	\$ (6,399)	\$ (44,659)	\$ (1,610)
Covered-employee payroll	\$ 489,324	\$ 498,266	\$ 512,149	\$ 536,803	\$ 585,359
Contribution as a percentage of Covered Employee Payroll	68.03 %	69.69 %	41.06 %	47.25 %	31.46 %

**KENTUCKY ARTISAN CENTER at BEREAL**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2025**

**Notes to RSI Pension Contributions**

As of the measurement date

	2025	2024	2023	2022	2021
<b>Notes to Schedule as of Measurement Date</b>					
Valuation date	June 30, 2021	June 30, 2021	June 30, 2020	June 30, 2020	June 30, 2019
<b>Methods and assumptions used to determine contributions</b>					
Actuarial Cost Method	Entry Age 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Entry Age 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Entry Age 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Entry Age 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Entry Age 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Asset Valuation Method					
Amortization Method	Level percentage of payroll	Level percentage of payroll			
Amortization Period	30-year closed period at June 30, 2019 Gains/losses occurring after 2019 will be amortized over separate closed 20 year amortization bases	30-year closed period at June 30, 2019 Gains/losses occurring after 2019 will be amortized over separate closed 20 year amortization bases	30-year closed period at June 30, 2019 Gains/losses occurring after 2019 will be amortized over separate closed 20 year amortization bases	30-year closed period at June 30, 2019 Gains/losses occurring after 2019 will be amortized over separate closed 20 year amortization bases	26 Years, closed
Payroll Growth Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Return	5.25%	5.25%	5.25%	5.25%	5.25%
Inflation	2.30%	2.30%	2.30%	2.30%	2.30%
Projected Salary Increase	3.3% to 15.3%	3.3% to 15.3%	3.3% to 15.3%	3.55% to 15.55%	3.55% to 15.55%
	2020	2019	2018	2017	2016
<b>Notes to Schedule as of Measurement Date</b>					
Valuation date	June 30, 2017	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015
<b>Methods and assumptions used to determine contributions</b>					
Actuarial Cost Method	Entry Age 20% of the difference	Entry Age 20% of the difference			
Asset Valuation Method	Level percentage of payroll	Level percentage of 27 year, closed	Level percentage of 27 year, closed	Level percentage of 27 year, closed	Level percentage of 28 year, close
Amortization Method	26 Years, closed				
Amortization Period					
Payroll Growth Rate	0.00%	4.00%	4.00%	4.00%	7.50%
Investment Return	5.25%	6.75%	7.50%	6.75%	7.50%
Inflation	2.30%	3.25%	3.25%	3.25%	3.25%
Projected Salary Increase	3.55% to 15.55%	4.0%, average	4.0%, average	4.0%, average	4.0%, average

**Mortality Tables**

2024, 2023, 2022: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

2021, 2020: The mortality table used for active members is PUB-2010 General Mortality projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

2019, 2018: RP-2000 Combined Mortality Table, projected to 2013 with Scale BB Set Back one year for females.

**KENTUCKY ARTISAN CENTER at BERA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025  
(Continued)**

**Schedule of Proportionate Share of the Net OPEB Liability**

As of the measurement date

	2025	2024	2023	2022
Employer's Portion of the collective Net OPEB Liability (Assets)	0.040416%	0.042523%	0.035822%	0.037632%
Employer's share of the net OPEB Liability	\$ 292,228	\$ 333,632	\$ 792,422	\$ 857,756
Covered Employee Payroll	\$ 821,334	\$ 668,082	\$ 505,145	\$ 513,476
Employer's Proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	35.58%	49.94%	156.87%	167.05%
Plan fiduciary net position as a percentage of total OPEB liability	70.95%	66.14%	38.15%	38.38%
Employer's Portion of the collective Net OPEB Liability (Assets)				
Employer's share of the net OPEB Liability	2021	2020	2019	2018
Covered Employee Payroll	\$ 834,539	\$ 699,612	\$ 794,350	\$ 849,648
Employer's Proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	\$ 468,644	\$ 570,905	\$ 512,149	\$ 533,751
Plan fiduciary net position as a percentage of total OPEB liability	178.08%	122.54%	155.10%	159.18%
	29.47%	30.92%	27.32%	13.32%

This is a ten-year schedule. Years will be added to this schedule in future years until ten years of information is presented.

**Schedule of Employer's Contributions OPEB**

As of the fiscal year end

	2025	2024	2023	2022
Actuarially required contribution	\$ 11,909	\$ 52,625	\$ 52,708	\$ 64,536
Employer Contribution in relation to the actuarial contribution	11,909	52,625	54,768	63,585
Contribution deficiency (excess)	\$ —	\$ —	\$ (2,060)	\$ 951
Covered-employee payroll	\$ 821,334	\$ 736,023	\$ 668,082	\$ 505,145
Contribution as a percentage of Covered Employee Payroll	1.45%	7.15%	8.20%	12.59%
Actuarially required contribution	2021	2020	2019	2018
Employer Contribution in relation to the actuarial contribution	\$ 57,253	\$ 58,112	\$ 62,980	\$ 43,072
Contribution deficiency (excess)	57,253	58,112	59,960	43,072
Covered-employee payroll	\$ —	\$ —	\$ 3,020	\$ —
Contribution as a percentage of Covered Employee Payroll	11.15%	12.40%	10.50%	8.41%

This is a ten-year schedule. Years will be added to this schedule in future years until ten years of information is presented.

**KENTUCKY ARTISAN CENTER at BERA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025  
(Continued)**

**Notes to RSI OPEB Contributions**

	2025	2024	2023	2022
<b>Notes to Schedule as of Measurement Date</b>				
Valuation date	June 30, 2023	June 30, 2021	June 30, 2020	June 30, 2019
<b>Methods and assumptions used to determine contributions</b>				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level percentage of payroll 30-year closed period at June 30, 2019 Gains/loses incurred after 2019 will be amortized over separate closed 20-year amortization base	Level percentage of payroll 30-year closed period at June 30, 2019 Gains/loses incurred after 2019 will be amortized over separate closed 20-year amortization base	Level percentage of payroll 30-year closed period at June 30, 2019 Gains/loses incurred after 2019 will be amortized over separate closed 20-year amortization base	Level percentage of payroll 30-year closed period at June 30, 2019 Gains/loses incurred after 2019 will be amortized over separate closed 20-year amortization base
Amortization Period	0.00%	0.00%	0.00%	0.00%
Payroll Growth Rate	6.25%	6.25%	6.25%	6.25%
Investment Return	2.30%	2.30%	2.30%	2.30%
Inflation	3.30% to 15.30	3.30% to 15.30	3.30% to 15.30%	3.55% to 15.55%
Projected Salary Increase				
	2021	2020	2019	2018
<b>Notes to Schedule as of Measurement Date</b>				
Valuation date	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2016
<b>Methods and assumptions used to determine contributions</b>				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Asset Valuation Method	20% of the difference			
Amortization Method	Level percentage of	Level percentage of	Level percentage of	Level percentage of
Amortization Period	26 years, closed	26 years, closed	27 years, closed	27 years, closed
Payroll Growth Rate	0.00%	0.00%	4.00%	4.00%
Investment Return	6.25%	6.25%	6.75%	7.50%
Inflation	2.30%	2.30%	3.25%	3.25%
Projected Salary Increase	3.55% to 15.55%	3.55% to 15.55%	4.0%, average	4.0%, average

**Mortality Tables**

2024, 2023, 2022: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

2021, 2020: The mortality table used for active members is PUB-2010 General Mortality projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

2019, 2018: RP-2000 Combined Mortality Table, projected to 2013 with Scale BB Set Back one year for females.

**KENTUCKY ARTISAN CENTER at BEREAL  
REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2025**  
**(Continued)**

Healthcare Trend Rates

2024: Pre-65 and Post-65. Initial trend starting at 6.3% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.

2023: Age Pre-65. Initial trend starting at 6.4% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years measurement. Age Post-65 Initial trend 6.3% at January 1, 2023, and decreasing to a rate of 4.05% over a period of 13 year. The 2021 premiums were known at the time of the valuation and incorporated into the pre-65 and post-65 liability. Humana provided "Not to Exceed" the 2022 Medicare premiums which were incorporated into the liability measurement and resulted in an assumed 2.9% increase in the Medicare premiums at January 1, 2022.

2022: Age Pre-65. Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Age Post-65 Initial trend Starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 year.

2021: Age Pre-65. Initial trend starting at 6.4% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. Age Post-65 Initial trend Starting at 2.9% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

2020: Age Pre-65. Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Age Post-65 Initial trend Starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

2019: Underlying assumptions: 1). A short run period-this is a period for which anticipated health care trend rates are manually set based on local information as well as plan-specific and carrier information. 2). Long term real GDP Growth 1.75%. 3). Long term rate of inflation 2.3%. 4). Long term nominal GDP growth- 4.05%. 5). Year that excess rate converges to 0-15 years from the valuation. Health Care Cost Trends are thus the manually set rates for the short run period and rates which decline to an ultimate trend rate which equals the assumed nominal long term GDP growth rate.

2018: Underlying assumptions: 1). A short run period-this is a period for which anticipated health care trend rates are manually set based on local information as well as plan-specific and carrier information. 2). Long term real GDP Growth 1.75%. 3). Long term rate of inflation 2.3%. 4). Long term nominal GDP growth 4.05%. 5). Year that excess rate converges to 0-15 years from the valuation. Health Care Cost Trends are thus the manually set rates for the short run period and rates which decline to an ultimate trend rate which equals the assumed nominal long term GDP growth rate. Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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





**ALLISON BALL**  
**AUDITOR OF PUBLIC ACCOUNTS**

**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***

**Independent Auditor's Report**

Todd Finley, Executive Director  
Kentucky Artisan Center at Berea  
Board of Directors

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kentucky Artisan Center at Berea (Center) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 11, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.



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*  
(Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2025-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2025-002 to be a significant deficiency.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Center'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*.

***The Center's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Recommendations. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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*  
(Continued)

***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.

Respectfully Submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, KY

December 11, 2025

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**



**KENTUCKY ARTISAN CENTER AT BEREASCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2025**

**2025-001: The Finance And Administration Cabinet Made Errors During The Compilation Of The Kentucky Artisan Center At Berea's Financial Statements**

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**Condition and Context**

The Kentucky Artisan Center at Berea (KACB), a discretely presented component unit of the Commonwealth of Kentucky, functions as a tourism center for Kentucky artisan arts and crafts and an interstate rest area. The Finance and Administration Cabinet (FAC) assists the KACB in the compilation of the annual financial statements.

The initial draft of the FY25 KACB financial statements included errors in the following accounts:

- Charges for Sales and Services was understated by \$52,444;
- Accounts Receivable was overstated by \$37,556;
- Inventory was overstated by \$218,350 and the corresponding Cost of Goods Sold was understated by the same amount.

The Charges for Sales and Services figure compilation process involves accounting for both prior year and current year accrual activity. When compiling the FY25 Charges for Sales and Services, FAC failed to remove the prior year receivable amount, overstating sales and Accounts Receivable by \$37,556. Additionally, when adding the current year activity, FAC incorrectly included \$90,000 which pertained to a Grant, not sales, understating Charges for Sales and Services by \$ 90,000. The net effect of these errors was to understate Charges for Sales and Services by \$52,444 and to overstate Accounts Receivable by \$37,556.

KACB identifies its retail inventory balance in a closing package, which is year-end financial information submitted to FAC for inclusion in KACB's financial statements. During the closing package submission process, KACB initially submitted an incorrect inventory amount since it included consignment items that should not be included because that inventory is not owned by KACB. When informed by the auditor that the amount was incorrect, KACB submitted a revised amount to FAC and informed them by email of this revision. FAC failed to incorporate this change in its initial financial statement draft. This resulted in the merchandise for resale inventory being overstated by \$218,350. When informed of the error FAC incorporated the revised information into its calculations. As the calculation of Cost of Goods Sold incorporates the ending inventory amount, it was understated by \$218,350.

**Cause**

The FY25 compilation process included transactions or changes that were not normally encountered for this agency. FAC failed to implement adequate internal controls to ensure the year-end closing process incorporated all uncommon activity for proper inclusion in the FY25 financial statements, including revisions to the closing package being incorporated and ensuring the journal vouchers used to compile the financial statements were accurate and complete.

**KENTUCKY ARTISAN CENTER AT BEREASCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2025  
(Continued)**

**2025-001: The Finance And Administration Cabinet Made Errors During The Compilation Of The Kentucky Artisan Center At Berea's Financial Statements (Continued)**

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**Effect**

Failure to accurately report and account for all activity in the compilation process would have led to misstatements on KACB's financial statements if undetected. Inaccuracies in the measurement, recognition, and presentation of financial activity could negatively impact users of the financial statements or management decisions.

**Criteria**

Concepts Statement No.1 of the Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1), paragraph 64, states,

Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive.

The controls related to the compilation process are necessary to ensure the accuracy and reliability of financial reports.

**Recommendation**

We recommend FAC strengthen internal controls related to its compilation process to ensure all activity for KACB is properly reported in the financial statements.

**Management's Response and Planned Corrective Action**

*FAC agrees with the auditor's comments. The errors identified were on draft statements and were corrected before publication. FAC will implement actions to strengthen controls over the year-end compilation process.*

**KENTUCKY ARTISAN CENTER AT BEREASCHEDULE OF FINDINGS AND RECOMMENDATIONSFor the Year Ended June 30, 2025  
(Continued)**

**2025-002: The Kentucky Artisan Center At Berea Failed To Properly Account For Fixed Asset Activity**

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**Condition and Context**

The Kentucky Artisan Center at Berea (KACB), a discretely presented component unit of the Commonwealth of Kentucky, functions as a tourism center for Kentucky artisan arts and crafts and an interstate rest area. The Finance and Administration Cabinet (FAC) assists the KACB in the compilation of the annual financial statements.

The initial draft of the KACB financial statements included errors in the calculation of reported amounts related to fixed asset activity, including an understatement of \$27,073 in Equipment, an understatement of \$16,779 in Fixtures, an understatement of \$37,083 in Accumulated Depreciation, and an understatement of \$22,927 in Depreciation Expense.

**Cause**

Fixed asset information had previously been maintained in a schedule outside the statewide accounting system (eMARS). For FY25, KACB entered the historical information from this schedule into eMARS for tracking and reporting purposes. During entry of this information, errors were made in the beginning FY25 balance as well as the expected useful lives of some assets. These errors contributed to the incorrect calculation of the previously discussed fixed asset balances.

Additionally, fixed assets purchased during the year were incorrectly capitalized. One asset that met the threshold for capitalization was omitted, and other assets did not include in the amount capitalized all costs associated with the assets, including installation charges, .

**Effect**

Failure to accurately report and account for all fixed asset activity would have led to misstatements on KACB's financial statements if undetected. Inaccuracies in the measurement, recognition, and presentation of financial activity could negatively impact users of the financial statements or management decisions.

**Criteria**

GASB codification section 1400.102 states, "Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees."

**KENTUCKY ARTISAN CENTER AT BEREASCHEDULE OF FINDINGS AND RECOMMENDATIONSFor the Year Ended June 30, 2025  
(Continued)**

**2025-002: The Kentucky Artisan Center At Berea Failed To Properly Account For Fixed Asset Activity (Continued)**

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**Criteria (Continued)**

Concepts Statement No.1 of the Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1), paragraph 64, states,

Financial reporting should be reliable; that is, the information presented should be verifiable and free from bias and should faithfully represent what it purports to represent. To be reliable, financial reporting needs to be comprehensive.

The proper accounting for fixed asset activity is a basic control necessary to ensure the accuracy and reliability of financial reports.

**Recommendation**

We recommend KACB strengthen internal controls related to calculation of the capitalizable amounts for purchased fixed assets as well as internal controls related to the entry and reporting of fixed assets using eMARS for financial statement compilation.

**Management's Response and Planned Corrective Action**

*The Artisan Center met with Finance and Administration Cabinet and reviewed and corrected the capitalization and characterization of the fixed asset, including confirming that several assets should be properly characterized as equipment. The Artisan Center of Berea staff will attend the training on fixed assets provided by the Finance and Administration Cabinet to ensure all fixed assets are recorded accurately and capitalized into eMARS. The calculations for capitalized amounts and installation costs will be recorded in accordance with the fixed asset manual provided by the Finance and Administration Cabinet.*