

**BEECHWOOD INDEPENDENT
BOARD OF EDUCATION**

Annual Financial Report

Year Ended June 30, 2013

**BEECHWOOD INDEPENDENT
BOARD OF EDUCATION**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Beechwood Independent Board of Education
Ft. Mitchell, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on the Financial Statements

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 the Beechwood Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Beechwood Independent Board of Education as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beechwood Independent Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



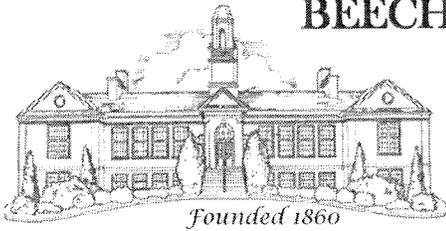
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of the Beechwood Independent Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beechwood Independent Board of Education's internal control over financial reporting and compliance.

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
September 18, 2013**

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BEECHWOOD INDEPENDENT SCHOOL DISTRICT BOARD OF EDUCATION

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BEECHWOOD INDEPENDENT DISTRICT OF EDUCATION FT. MITCHELL, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2013

As management of the Beechwood Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$6,751,830. The ending cash balance, including activity funds, for the District was \$2,658,211. The decrease in cash was attributable to construction fund expenditures of \$3,962,510 on school renovations.

The General Fund had \$9,351,129 in revenue, which primarily consisted of local real estate and property taxes, the state program (SEEK), on-behalf payments, local out-of-district tuition, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$9,232,622 in General Fund expenditures.

The District remains committed to adopting a competitive salary structure for teachers and other staff provided funding is available.

A new cafeteria area and band room were constructed during the 2012-2013 school year.

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 in addition 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 Board's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. 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 Board's net assets changed during the most recent fiscal year. All changes in net assets 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 Board that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Board include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-17 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 notes to the financial statements can be found on pages 18-30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$7.0 million as of June 30, 2013.

The largest portion of the Board's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The Board uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Board'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 Board's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the period ending June 30, 2012 and June 30, 2013

	June 30, 2012	June 30, 2013
Current Assets	\$ 7,127,602	\$ 3,063,746
Noncurrent Assets	19,087,879	22,777,422
Total Assets	26,215,481	25,841,168
Deferred Outflows of Resources	-	264,333
Current Liabilities	1,288,035	919,559
Noncurrent Liabilities	18,190,407	18,092,916
Total Liabilities	19,478,442	19,012,475
Investment in capital assets (net of debt)	424,796	4,662,422
Restricted	4,587,971	726,291
Unrestricted	1,724,272	1,704,313
Total Net Position	\$ 6,737,039	\$ 7,093,026

The following table presents a summary of revenue and expenses of the governmental funds for the fiscal year ended June 30, 2012 and June 30, 2013.

	June 30, 2012	June 30, 2013
Revenues		
Local Revenue Sources	\$ 5,040,439	\$ 5,240,457
State Revenue Sources	5,126,468	5,365,830
Federal Revenue Sources	605,632	338,116
Other	20,000	-
Total Revenues	10,792,539	10,944,403
Expenses		
Instruction	\$ 6,402,685	\$ 6,450,617
Student Support Services	256,024	396,163
Instructional Support	247,493	281,729
District Administration	485,553	355,335
School Administration	555,980	574,849
Business Support	496,760	495,218
Plant Operations	1,171,362	1,155,513
Student Transportation	205,029	97,870
Facilities	3,713,082	3,962,510
Debt Service	1,295,865	1,433,408
Total Expenses	14,829,833	15,203,212
Revenue in Excess (Deficit) of Expenses	(4,037,294)	(4,258,809)
Accrued interest	-	7,533
Transfer to Proprietary Fund	(32,500)	(39,000)
Bonds issued and accrued interest	7,581,000	-
Bond discount	(75,600)	-
Federal Tax Rebate	324,932	515,290
Excess (deficiency) of revenues and other financing over expenditures	\$ 3,760,538	\$ (3,774,986)

Comments on Budget Comparisons

- The Board's total revenues for the fiscal year ended June 30, 2013 net of Interfund transfers and on-behalf payments, were \$9.46 million.
- General fund budget compared to actual revenue (net of on-behalf payments) varied slightly from line item to line item with the ending actual balance being \$68 thousand more than budget.
- The total cost of all programs and services was \$9.81 million net of debt service and capital expenses.
- General fund budget expenditures to actual expenditures varied from line item to line item with the ending actual balance being \$1.25 million less than budget (net of on-behalf payments).

CAPITAL ASSET AND DEBT ADMINISTRATION

The Board added \$7,534,468 in new asset additions (including \$3,335,625 in construction in progress). Overall debt decreased \$548,083.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some Federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The Board adopted a budget for 2013-2014 with \$1,031,000 million in contingency (9.5%). The beginning cash balance for the fiscal year is \$2,440,264. Significant Board action that impacts the finances include step increase for all classified employees and all certified employees, facility repairs, and equipment purchases.

Questions regarding this report should be directed to the Superintendent, Steve Hutton (859) 331-3250 or to Rae Wise, Director of Financial Services (859) 331-3250 or by mail at 50 Beechwood Rd., Ft. Mitchell, Kentucky 41017.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION**STATEMENT OF NET POSITION**

June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 2,450,866	\$ (10,602)	\$ 2,440,264
Investments	323,729	-	323,729
Receivables			
Taxes	124,084	-	124,084
Accounts	-	-	-
Intergovernmental	28,154	10,700	38,854
Other - Local	-	-	-
Inventories	-	8,852	8,852
Prepaid expenses	127,963	-	127,963
Total current assets	<u>3,054,796</u>	<u>8,950</u>	<u>3,063,746</u>
Capital assets not being depreciated	769,584	-	769,584
Capital assets, net of accumulated depreciation	<u>21,904,066</u>	<u>103,772</u>	<u>22,007,838</u>
Total assets	<u>25,728,446</u>	<u>112,722</u>	<u>25,841,168</u>
Deferred outflows of resources			
Deferred charges on bond costs	<u>264,333</u>	<u>-</u>	<u>264,333</u>
LIABILITIES			
Current Liabilities			
Accounts payable	267,243	-	267,243
Accrued salaries and benefits	3,091	-	3,091
Accrued interest payable	113,784	-	113,784
Deferred revenue	26,310	-	26,310
Compensated absences-current	4,131	-	4,131
Bonds payable and capital leases-due within one year	<u>505,000</u>	<u>-</u>	<u>505,000</u>
Total current liabilities	<u>919,559</u>	<u>-</u>	<u>919,559</u>
Noncurrent Liabilities			
Deferred revenue	324,180	-	324,180
Compensated absences	46,831	-	46,831
Deferred expense	111,905	-	111,905
Bonds payable and capital leases-due in more than one year	<u>17,610,000</u>	<u>-</u>	<u>17,610,000</u>
Total noncurrent liabilities	<u>18,092,916</u>	<u>-</u>	<u>18,092,916</u>
Total liabilities	<u>19,012,475</u>	<u>-</u>	<u>19,012,475</u>
NET POSITION			
Invested in capital assets, net of related debt	4,558,650	103,772	4,662,422
Restricted for:			
Capital projects	726,291	-	726,291
Unrestricted	1,695,363	8,950	1,704,313
Total net position	<u>\$ 6,980,304</u>	<u>\$ 112,722</u>	<u>\$ 7,093,026</u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 6,811,296	\$ 333,067	\$ 634,865	\$ -	\$ (5,843,364)	\$ -	\$ (5,843,364)
Support services:							
Student	493,971	-	-	-	(493,971)	-	(493,971)
Instruction staff	289,865	-	-	-	(289,865)	-	(289,865)
District administrative	350,531	-	-	-	(350,531)	-	(350,531)
School administrative	574,849	-	-	-	(574,849)	-	(574,849)
Business	495,680	-	-	-	(495,680)	-	(495,680)
Plant operation and maintenance	1,312,003	8,302	-	-	(1,303,701)	-	(1,303,701)
Student transportation	121,983	12,361	-	-	(109,622)	-	(109,622)
Other-unallocated capital expenditures	(236,333)	-	-	-	236,333	-	236,333
Interest and bond costs on long-term debt	899,388	-	515,290	-	(384,098)	-	(384,098)
Total governmental activities	<u>11,113,233</u>	<u>353,730</u>	<u>1,150,155</u>	<u>-</u>	<u>(9,609,348)</u>	<u>-</u>	<u>(9,609,348)</u>
Business-type Activities							
Food service	391,918	187,403	175,205	-	-	(29,310)	(29,310)
Total business-type activities	<u>391,918</u>	<u>187,403</u>	<u>175,205</u>	<u>-</u>	<u>-</u>	<u>(29,310)</u>	<u>(29,310)</u>
Total school district	<u>\$ 11,505,151</u>	<u>\$ 541,133</u>	<u>\$ 1,325,360</u>	<u>\$ -</u>	<u>(9,609,348)</u>	<u>(29,310)</u>	<u>(9,638,658)</u>
		General Revenues					
		Taxes			4,811,019	-	4,811,019
		Investment earnings			18,143	3	18,146
		State aid formula grants			5,069,081	-	5,069,081
		Miscellaneous			65,098	31,301	96,399
		Transfers			(39,000)	39,000	-
		Total general revenues and transfers			<u>9,924,341</u>	<u>70,304</u>	<u>9,994,645</u>
		Change in net position			314,993	40,994	355,987
		Net position - beginning			6,665,311	71,728	6,737,039
		Net position - ending			<u>\$ 6,980,304</u>	<u>\$ 112,722</u>	<u>\$ 7,093,026</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue	Capital Projects Construction Fund	Non-major Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,360,508	\$ 126,486	\$ 765,953	\$ 197,919	\$ 2,450,866
Investments	-	-	-	323,729	323,729
Receivables					
Taxes	124,084	-	-	-	124,084
Accounts	-	-	-	-	-
Intergovernmental	-	28,154	-	-	28,154
Other local	-	-	-	-	-
Prepaid expenses	120,593	-	-	7,370	127,963
Total assets	<u>\$ 1,605,185</u>	<u>\$ 154,640</u>	<u>\$ 765,953</u>	<u>\$ 529,018</u>	<u>\$ 3,054,796</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	37,646	-	229,597	-	267,243
Accrued salaries and benefits	3,091	-	-	-	3,091
Deferred revenue	23,310	3,000	-	324,180	350,490
Deferred expenses	36,441	-	-	-	36,441
Total liabilities	<u>100,488</u>	<u>3,000</u>	<u>229,597</u>	<u>324,180</u>	<u>657,265</u>
Fund Balances					
Nonspendable - prepaids	120,593	-	-	7,370	127,963
Restricted - capital projects	-	-	536,356	189,935	726,291
- debt service	-	-	-	7,533	7,533
Committed to - capital purchases	200,000	-	-	-	200,000
-sick leave	50,962	-	-	-	50,962
Assigned to - future assessment	75,464	-	-	-	75,464
- special projects	-	151,640	-	-	151,640
Unassigned	1,057,678	-	-	-	1,057,678
Total fund balances	<u>1,504,697</u>	<u>151,640</u>	<u>536,356</u>	<u>204,838</u>	<u>2,397,531</u>
Total liabilities and fund balances	<u>\$ 1,605,185</u>	<u>\$ 154,640</u>	<u>\$ 765,953</u>	<u>\$ 529,018</u>	<u>\$ 3,054,796</u>

Reconciliation to the Statement of Net Position:

Total governmental fund balances \$ 2,397,531

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Cost	27,906,716	
Accumulated depreciation	(5,233,066)	22,673,650

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in government funds:

Debt	(18,115,000)	
Accrued sick leave	(50,962)	
Accrued assessment	(75,464)	
	<u>(18,241,426)</u>	

Accrued interest on long-term debt (18,241,426)

Cost of issuance of debt, premiums and discounts are currently expensed for governmental funds and are carried as deferred in the statement of net assets (113,784)

Total net position - governmental activities \$ 6,980,304

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Special Revenue	Capital Projects Construction Fund	Non-major Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property and utility taxes	\$ 3,978,920	\$ -	\$ -	\$ 580,926	\$ 4,559,846
Motor vehicle taxes	251,173	-	-	-	251,173
Earnings on investments	6,091	52	4,467	-	10,610
Other local sources	384,107	31,650	3,071	-	418,828
State sources					
SEEK	3,234,820	-	-	354,763	3,589,583
Other	16,520	207,571	-	72,658	296,749
Federal - indirect	-	338,116	-	-	338,116
Other revenues	-	-	-	-	-
On behalf payments - state	1,479,498	-	-	-	1,479,498
Total revenues	<u>9,351,129</u>	<u>577,389</u>	<u>7,538</u>	<u>1,008,347</u>	<u>10,944,403</u>
Expenditures					
Instruction	5,880,749	569,868	-	-	6,450,617
Support services					
Student	396,163	-	-	-	396,163
Instruction staff	281,729	4,804	-	-	286,533
District administration	350,531	-	-	-	350,531
School administration	574,849	-	-	-	574,849
Business	495,218	-	-	-	495,218
Plant operation and maintenance	1,155,513	-	-	-	1,155,513
Student transportation	97,870	-	-	-	97,870
Debt service					
Principal	-	-	-	545,000	545,000
Interest	-	-	-	885,345	885,345
Other	-	-	-	3,063	3,063
Capital outlay	-	-	3,962,510	-	3,962,510
Total expenditures	<u>9,232,622</u>	<u>574,672</u>	<u>3,962,510</u>	<u>1,433,408</u>	<u>15,203,212</u>
Excess (deficit) of revenues over/(under) expenditures	<u>118,507</u>	<u>2,717</u>	<u>(3,954,972)</u>	<u>(425,061)</u>	<u>(4,258,809)</u>
Other Financing Sources (Uses)					
Accrued interest	-	-	-	7,533	7,533
Federal tax rebate	-	-	-	515,290	515,290
Operating transfers in	-	17,590	-	845,460	863,050
Operating transfers out	(59,653)	-	-	(842,397)	(902,050)
Total other financing sources (uses)	<u>(59,653)</u>	<u>17,590</u>	<u>-</u>	<u>525,886</u>	<u>483,823</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>58,854</u>	<u>20,307</u>	<u>(3,954,972)</u>	<u>100,825</u>	<u>(3,774,986)</u>
Fund balance, July 1, 2012	1,445,843	131,333	4,491,328	104,013	6,172,517
Fund balance, June 30, 2013	<u>\$ 1,504,697</u>	<u>\$ 151,640</u>	<u>\$ 536,356</u>	<u>\$ 204,838</u>	<u>\$ 2,397,531</u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance - total governmental funds	\$ (3,774,986)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$555,425) is less than capital outlay (\$4,198,843) in the current period.	3,643,418
Loss on retirement of fixed assets	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and the issuance of new debt is an income source in the governmental funds and increases long-term liabilities in the statements of net position.	548,083
Bonds issued	-
Accrued interest on long-term debt is reported in the government wide financial statements, but not reported in governmental funds.	3,608
Accrued long-term sick leave change.	(11,995)
Accrued assessment	(75,464)
Government funds report the effect of issuance cost, premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<u>(17,671)</u>
Change in net position of governmental activities.	\$ <u><u>314,993</u></u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION**STATEMENT OF NET POSITION****PROPRIETARY FUNDS**

June 30, 2013

ASSETS	Business-type Activities	
	Enterprise Fund	Food Service
Current Assets		
Cash and cash equivalents - held in consolidated account	\$	(10,602)
Other receivables-intergovernmental		10,700
Inventories		8,852
Total current assets		<u>8,950</u>
Noncurrent Assets		
Bldgs and improvements		117,211
Machinery and equipment		203,700
Less: Accumulated depreciation		(217,139)
Total noncurrent assets		<u>103,772</u>
Total assets		<u>112,722</u>
LIABILITIES		
Current Liabilities		
Accounts payable		-
Total current liabilities		<u>-</u>
Noncurrent Liabilities		-
Total noncurrent liabilities		<u>-</u>
Total liabilities		<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt		103,772
Unrestricted		8,950
Total net position	\$	<u><u>112,722</u></u>

See accompanying notes to basic financial statements.

<p>BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS Year Ended June 30, 2013</p>

	Business-type Activities
	Enterprise Fund Food Service
Operating Revenues	
Food service sales	\$ 186,961
Other operating revenues	442
Total operating revenues	<u>187,403</u>
Operating Expenses	
Salaries and wages	123,026
Employee benefits	79,668
Purchased professional and technical services	75
Purchased property services	904
Other purchased services	520
Supplies and materials	177,399
Depreciation	10,191
Other operating expenses	135
Total operating expenses	<u>391,918</u>
Operating income (loss)	<u>(204,515)</u>
Nonoperating revenues (expenses)	
Federal grants	101,985
State grants	3,828
Federal commodities	20,194
Interest income	3
Transfers in	39,000
On behalf payments	49,198
Equipment transferred in	31,301
Total nonoperating revenues (expenses)	<u>245,509</u>
Net income (loss)	<u>40,994</u>
Total net position, July 1, 2012	71,728
Total net position, June 30, 2013	\$ <u><u>112,722</u></u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

Year Ended June 30, 2013

	Business-type Activities
	Enterprise Fund
	Food Service
Cash Flows from Operating Activities	
Cash received from lunchroom sales	\$ 176,703
Cash payments to employees for services	(153,496)
Cash payments to suppliers for goods and services	(155,549)
Cash payments for other operating activities	(135)
Net cash from operating activities	<u>(132,477)</u>
Cash Flows from Capital Financing Activities	
Acquisition of capital assets	(25,015)
Net cash from capital financing activities	<u>(25,015)</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating grants received	105,813
Interest	3
Transfers in	39,000
Net cash from noncapital financing activities	<u>144,816</u>
Net increase in cash and cash equivalents	(12,676)
Cash and cash equivalents - beginning	2,074
Cash and cash equivalents - ending	<u>\$ (10,602)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (204,515)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	10,191
Changes in assets and liabilities:	
Accounts receivable	(10,700)
Inventory	3,155
Accounts payable	-
Commodities received	20,194
On-behalf payments	49,198
Net Cash Provided by Operating Activities	<u>\$ (132,477)</u>
Non-cash items:	
Commodities	\$ 20,194
On-behalf payments	\$ 49,198
Equipment transferred in	\$ 31,301

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS June 30, 2013
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ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Cash and cash equivalents	\$ 218,007
Accounts receivable	7,171
Total current assets	<u>225,178</u>
Total assets	<u>225,178</u>
LIABILITIES	
Accounts payable	4,014
Due to student groups	221,164
Total liabilities	<u>225,178</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Beechwood Independent Board of Education, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Board are described below.

REPORTING ENTITY

The Beechwood 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 the Beechwood Independent Board of Education (Board). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as 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 Board, for financial purposes, includes all of the funds relevant to the operation of the Beechwood Independent Board of Education. The 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. These funds are not significant to the operations of the Board.

The financial statements of the Board 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:

Beechwood Independent School Board Finance Corporation - On April 9, 1990, the Beechwood Independent Board of Education resolved to authorize the establishment of the Beechwood Independent School Board Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Beechwood Independent School Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Board 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 Board that are governmental and those that are considered business-type activities.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

The government-wide statements are prepared using the economic resources measurement focus. 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 reconciliation 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 Board and for each function or program of the Board'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 Board, with certain limited exceptions. The comparison of direct expenses with program revenues identified the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements – Fund financial statements report detailed information about the Board. 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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

The Board has the following funds:

1. Governmental Fund Types

(A) The General Fund is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the Board.

(B) The Special Revenue Fund accounts 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. This is a major fund of the Board.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

(C) Capital Project 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 Fund).

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 Board'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 Board's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the Board.

(D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

2. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

The Board 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.

3. Fiduciary Fund Type (Agency Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Board, available

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the Board 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 Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred 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 deferred revenue.

Restricted and Unrestricted Resources - When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as needed.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets 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 and Tax Calendar

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the District. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.786 per \$100 valuation for real property, \$.786 per \$100 valuation for business personal property and \$.574 per \$100 valuation for motor vehicles. The assessed value of property upon which the levy for the 2013 year was based was \$580,926,474.

Tax Calendar – Property taxes are assessed under KRS 134.020 and are due upon receipt of the tax bill. After October 31 tax bills are delinquent and are subject to a 10% penalty.

Capital Assets

General capital assets are those 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 activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the

<p>BEECHWOOD INDEPENDENT BOARD OF EDUCATION NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2013</p>

proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in their 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 Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The Board 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.

All reported capital assets 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>Governmental Activities Estimated Lives</u>
Buildings	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Interfund Balances

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Principles

Budgetary Basis of Accounting: The Board's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the Board are not budgeted. The on-behalf amounts were not known at the time the budget was adopted.

Once the budget is approved, 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.

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

<p>BEECHWOOD INDEPENDENT BOARD OF EDUCATION NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2013</p>
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Cash and Cash Equivalents

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

Inventories

The Food Service Fund inventories are stated at cost or at fair market value on the date of donation for donated commodities .

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, the noncurrent portion of capital leases, 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.

As of June 30, 2013, the long-term debt of the financial reporting entity consisted of the following:

Capital lease obligations		
Current portion	\$	505,000
Non-current portion		17,610,000
	\$	<u>18,115,000</u>

Fund Equity

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital asserts, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

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 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. Assigned fund balances are those that are constrained by the government’s intent to

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2013

be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The 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.

Restricted, committed and assigned amounts can only be used when expenditures for the amounts set aside for that specific purpose are incurred. Otherwise, the unassigned fund balance amount will be used.

Net Position

Net position represent 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School Board, those revenues are primarily charges for meals provided by the school and charges for day care services provided to parents. Expenses are primarily payroll, food costs, and supply purchases Non-operating revenues are those revenues not directly from the primary activity, such as grants or transfers.

Estimates

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

Date of Management's Review

Subsequent events were evaluated through September 18, 2013, which is the date the financial statements were available for review.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2013, the Board's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the Board's behalf and the FDIC insurance.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 273,220
Student Support Services	97,808
Instructional Support Services	3,332
District Administration	-
School Administration	-
Business Support Services	462
Plant Operation & Maintenance	156,490
Student Transportation	24,113
TOTAL	\$ <u>555,425</u>

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Beechwood Independent School Board Finance Corporation aggregating \$18,115,000.

The original amount of each issue, the issue date, and interest rates are summarized below.

<u>Issue Date</u>	<u>Principal</u>	<u>Rates</u>
December 11, 2007	\$ 2,125,000	3.3% - 3.85%
August 25, 2009	\$ 6,050,000	1.7% - 6.3%
September 14, 2010	\$ 3,860,000	1.0% - 5.0%
December 1, 2011	\$ 7,560,000	5%

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

The Board Finance Corporation has issued their bonds in connection with the Kentucky School Facilities Construction Commission (the Commission). Although the Board, under the lease arrangement is obligated to pay the full amount of the lease obligation, the Board has entered into the obligation in reliance upon a participation agreement by and between the Board and the Commission, whereby the Commission has agreed to pay annually a set percentage of each obligation. The 2009 bonds were Taxable Build America Bonds whereby the Federal government will issue an annual Federal refundable tax credit subsidy.

A summary of obligations under capital leases and compensated absences is as follows:

	<u>July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2013</u>	<u>Due within One Year</u>
Bonds under capital lease	\$ 18,660,000	\$ -	\$ 545,000	\$ 18,115,000	\$ 505,000
Annexation debt	3,083	-	3,083	-	-
Compensated absences	38,967	11,995	-	50,962	4,131
	<u>\$ 18,702,050</u>	<u>\$ 11,995</u>	<u>\$ 548,083</u>	<u>\$ 18,165,962</u>	<u>\$ 509,131</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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 Board, at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Bonds		Interest			Total
	Beechwood	KSFCC	Beechwood	KSFCC	Federal Tax Rebate	
2013-14	\$ 474,830	\$ 30,170	\$ 453,388	\$ 418,221	\$ (529,215)	\$ 847,394
2014-15	488,809	31,191	439,613	417,199	(526,426)	850,386
2015-16	502,591	32,409	423,980	415,982	(523,111)	851,851
2016-17	521,217	33,783	406,851	414,607	(519,217)	857,241
2017-22	2,759,516	195,484	1,707,239	2,046,469	(2,512,707)	4,196,001
2022-27	3,017,490	257,510	980,553	1,984,442	(2,254,909)	3,985,086
2027-31	2,033,115	7,736,885	199,468	1,338,868	(1,390,430)	9,917,906
	<u>\$ 9,797,568</u>	<u>\$ 8,317,432</u>	<u>\$ 4,611,092</u>	<u>\$ 7,035,788</u>	<u>\$ (8,256,015)</u>	<u>\$ 21,505,865</u>

Operating Leases

The Board has operating leases for three copiers for forty-eight months at \$2,068 per month. In addition, a new copier lease for five copiers began in April, 2013 for sixty months at \$1,924 per month.

Minimum future rentals as of June 30, 2013 are as follows:

Year Ending June 30	Copier Lease	Copier Lease
2014	\$ 12,408	\$ 23,082
2015	-	23,082
2016	-	23,082
2017	-	23,082
2018	-	17,312
	<u>\$ 12,408</u>	<u>\$ 109,640</u>

Total lease expenditures for 2012-13 were \$30,586.

NOTE E – ACCUMULATED UNPAID SICK LEAVE AND VACATION

Upon retirement from the District, eligible employees will receive an amount equal to 10% of the value of accumulated sick leave up to a maximum of \$5,000. At June 30, 2013, accumulated unpaid sick leave and vacation totaled \$50,962 for those employees eligible to retire at June 30, 2013.

NOTE F – RETIREMENT PLANS

Kentucky Retirement System

The Board contributes to the Kentucky Teachers Retirement System (“KTRS”), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2013

annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems.

KTRS 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). The KTRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or by calling (502) 573-5120.

Funding for KTRS is provided by eligible employees who contribute 10.855% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 14.105%. Employers contribute an additional 1% to the Retiree Medical Insurance Fund. The 2013 cost was \$49,219. The contribution requirements of KTRS members and the Board are established and may be amended by Kentucky Revised Statutes and the KTRS Board of Trustees. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

Contributions to KTRS made on behalf of the Board by the Commonwealth of Kentucky for the year ended June 30, 2013, were \$654,031, and the Board paid \$26,887 from federal grant monies to KTRS in matching contributions for federally funded employees. The Board's contribution requirement to KTRS was \$47,259 for 2012 and \$47,259 for 2011. The contributions for the three year period represented 100% of the required contributions.

County Employees Retirement System

Substantially all other employees of the Board participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646.

Funding for CERS is provided by members who contribute 5% (6% for recent hires) of their salary through payroll deductions and by employers of members who contribute 19.55% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The Board's contributions to CERS for the year ending June 30, 2013 were \$180,513 equal to the required contributions for the year. The Board's contribution requirement to CERS was \$179,994 in 2012 and \$154,226 for 2011. The contributions for the three year period represented 100% of the required contributions.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2013

Medical Insurance Plans

The Kentucky Teachers Retirement System and County Employees Retirement System provide post-retirement healthcare benefits to eligible members and dependents, under cost sharing multiple employer defined benefit plans. Medical benefits are offered to members who have retired for service or disability. The post retirement healthcare is financed through member contributions and state appropriations.

NOTE G – CONTINGENCIES

The Board receives funding from the federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board'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.

NOTE H – INSURANCE AND RELATED ACTIVITIES

The Board 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 are covered through the purchase of commercial insurance. The Board has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE I – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Board continues to carry commercial insurance for all risks of loss including property, liability, errors and omissions, business auto, commercial umbrella and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, except that a \$275,000 claim settlement was paid by the Board that was not submitted for insurance and a claim of \$92,500 was settled after June 30, 2012, which was recorded as a 2012 expense.

NOTE J – DEFICIT OPERATING/FUND BALANCES

There are no funds of the Board that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance or net assets:

Construction Fund	\$ (3,954,972)
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<p>BEECHWOOD INDEPENDENT BOARD OF EDUCATION NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2013</p>
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NOTE K – INTERFUND TRANSACTIONS

The Board had no interfund receivables/payables at June 30, 2013.

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	Special Revenue	Matching	\$ 17,590
Operating	Building Fund	Debt Service	Debt	\$ 728,980
Operating	Capital Outlay	Debt Service	Debt	\$ 113,417
Operating	General	Food Service	Support	\$ 39,000
Operating	General	Debt Service	Debt	\$ 3,063

NOTE L – ON-BEHALF PAYMENTS

For the year ended June 30, 2013, the Commonwealth of Kentucky contributed payments on-behalf of the Board as follows:

Kentucky Teaches Retirement Plan	\$ 654,031
Health and Life Plan	743,727
Other costs	130,937
	<u>\$ 1,528,695</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

Payments are made by the KSFCC for its participation in the Board's debt service. Payments are included as debt service revenue and debt service expenditures in the amount of \$72,658 for the 2013 fiscal year.

Payments are made by the Federal government under the Build America Bonds program whereby the Federal government issued an annual Federal refundable tax credit subsidy in the amount of \$515,290 for the 2013 fiscal year.

NOTE M – COMMITMENTS

On June 30, 2013, the Board had commitments for \$500,000 from the Construction Fund for completion of the 2012-13 expansion project.

SUPPLEMENTARY INFORMATION
(including required supplementary information)

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
Year Ended June 30, 2013

	Required Supplementary Information			VARIANCE WITH
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL BUDGET Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 4,078,000	\$ 4,155,000	\$ 4,230,093	\$ 75,093
Earnings on investments	10,000	5,000	6,091	1,091
Other local sources	400,200	397,300	384,107	(13,193)
State sources	3,020,804	3,246,820	3,251,340	4,520
Other revenues	-	-	-	-
Intergovernmental revenue - on-behalf payments	-	-	1,479,498	1,479,498
TOTAL REVENUES	<u>7,509,004</u>	<u>7,804,120</u>	<u>9,351,129</u>	<u>1,547,009</u>
EXPENDITURES:				
Instruction	4,900,142	4,944,532	5,880,749	(936,217)
Student Support Services	217,083	311,675	396,163	(84,488)
Staff Support Services	211,533	237,211	281,729	(44,518)
District Administration	402,062	397,075	350,531	46,544
School Administration	484,727	511,211	574,849	(63,638)
Business Support Services	411,279	419,096	495,218	(76,122)
Plant Operation & Maintenance	1,041,170	1,077,002	1,155,513	(78,511)
Student Transportation	96,803	101,851	97,870	3,981
Debt Service - Other	3,265	200	-	200
Capital Outlay	129,046	39,046	-	39,046
Contingency	933,922	960,065	-	960,065
TOTAL EXPENDITURES	<u>8,831,032</u>	<u>8,998,964</u>	<u>9,232,622</u>	<u>(233,658)</u>
Excess (deficit) of revenues over expenditures	<u>(1,322,028)</u>	<u>(1,194,844)</u>	<u>118,507</u>	<u>1,313,351</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(27,972)	(55,156)	(59,653)	(4,497)
Total other financing sources (uses)	<u>(27,972)</u>	<u>(55,156)</u>	<u>(59,653)</u>	<u>(4,497)</u>
Net change in fund balance	(1,350,000)	(1,250,000)	58,854	1,308,854
Fund balance, July 1, 2012	1,350,000	1,250,000	1,445,843	195,843
Fund balance, June 30, 2013	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,504,697</u>	\$ <u>1,504,697</u>
Fund balance, June 30, 2013			\$ <u>1,504,697</u>	
Adjustments to Generally Accepted Accounting Principles				
Intergovernmental revenue			<u>1,479,498</u>	
On-behalf payments				
Instruction			1,423,973	
Support services			55,525	
			<u>1,479,498</u>	
Fund balance, June 30, 2013 (GAAP basis)			\$ <u>1,504,697</u>	

See accompanying notes to basic financial statements.

<p>BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL REVENUE FUND Year Ended June 30, 2013</p>
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	Required Supplementary Information			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
	BUDGET	BUDGET		Favorable
				(Unfavorable)
REVENUES:				
Other Local Sources	\$ 45,637	\$ 11,376	\$ 31,702	\$ 20,326
State Sources	171,526	193,290	207,571	14,281
Federal Sources	442,932	383,172	338,116	(45,056)
TOTAL REVENUES	<u>660,095</u>	<u>587,838</u>	<u>577,389</u>	<u>(10,449)</u>
EXPENDITURES:				
Instructional	663,636	600,624	569,868	30,756
Staff Support Services	4,288	4,804	4,804	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>667,924</u>	<u>605,428</u>	<u>574,672</u>	<u>30,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	<u>(7,829)</u>	<u>(17,590)</u>	<u>2,717</u>	<u>20,307</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	12,972	17,590	17,590	-
Operating transfers out (debt service)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,972</u>	<u>17,590</u>	<u>17,590</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>5,143</u>	<u>-</u>	<u>20,307</u>	<u>20,307</u>
FUND BALANCES, July 1, 2012	<u>125,619</u>	<u>125,619</u>	<u>131,333</u>	<u>5,714</u>
FUND BALANCES, June 30, 2013	\$ <u>130,762</u>	\$ <u>125,619</u>	\$ <u>151,640</u>	\$ <u>26,021</u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2013**

	Capital Project Funds				Total	
	FSPK Building Fund	SEEK Capital Outlay Fund	Debt Service Fund	Bond Escrow Account	Non-major Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 119,108	\$ 70,827	\$ 7,370	\$ 614	\$ 197,919	
Investments	7,370	-	-	323,729	331,099	
Prepaid expenses	-	-	-	-	-	
Total assets	<u>\$ 126,478</u>	<u>\$ 70,827</u>	<u>\$ 7,370</u>	<u>\$ 324,343</u>	<u>\$ 529,018</u>	
LIABILITIES AND FUND BALANCES						
Liabilities						
Deferred income	\$ -	\$ -	\$ 7,370	\$ 316,810	\$ 324,180	
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,370</u>	<u>\$ 316,810</u>	<u>\$ 324,180</u>	
Fund Balances						
Nonspendable - prepaids	7,370	-	-	-	7,370	
Restricted						
Capital projects	119,108	70,827	-	-	189,935	
Debt service	-	-	-	7,533	7,533	
Unassigned	-	-	-	-	-	
Total fund balances	<u>126,478</u>	<u>70,827</u>	<u>-</u>	<u>7,533</u>	<u>204,838</u>	
Total liabilities and fund balances	<u>\$ 126,478</u>	<u>\$ 70,827</u>	<u>\$ 7,370</u>	<u>\$ 324,343</u>	<u>\$ 529,018</u>	

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2013

	Capital Project Funds			Debt Service Fund	Bond Escrow Account	Total Non-major Governmental Funds
	FSPK Building Fund	SEEK Capital Outlay Fund				
Revenues						
From local sources						
Property taxes	\$ 580,926	\$ -	\$ -	\$ -	\$ -	\$ 580,926
State sources						
SEEK	241,346	113,417	-	-	-	354,763
Other	-	-	72,658	-	-	72,658
Total revenues	<u>822,272</u>	<u>113,417</u>	<u>72,658</u>	<u>-</u>	<u>-</u>	<u>1,008,347</u>
Expenditures						
Debt service						
Principal	-	-	545,000	-	-	545,000
Interest	-	-	885,345	-	-	885,345
Other debt costs	-	-	3,063	-	-	3,063
Total expenditures	<u>-</u>	<u>-</u>	<u>1,433,408</u>	<u>-</u>	<u>-</u>	<u>1,433,408</u>
Excess (deficit) of revenues over expenditures	<u>822,272</u>	<u>113,417</u>	<u>(1,360,750)</u>	<u>-</u>	<u>-</u>	<u>(425,061)</u>
Other Financing Sources (Uses)						
Accrued interest	-	-	-	7,533	-	7,533
Federal tax rebate	-	-	515,290	-	-	515,290
Operating transfers in	-	-	845,460	-	-	845,460
Operating transfers out	(728,980)	(113,417)	-	-	-	(842,397)
Total other financing sources (uses)	<u>(728,980)</u>	<u>(113,417)</u>	<u>1,360,750</u>	<u>7,533</u>	<u>-</u>	<u>525,886</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>93,292</u>	<u>-</u>	<u>-</u>	<u>7,533</u>	<u>-</u>	<u>100,825</u>
Fund balance, July 1, 2012	<u>33,186</u>	<u>70,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,013</u>
Fund balance, June 30, 2013	<u>\$ 126,478</u>	<u>\$ 70,827</u>	<u>\$ -</u>	<u>\$ 7,533</u>	<u>\$ -</u>	<u>\$ 204,838</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BEECHWOOD HIGH SCHOOL
Year Ended June 30, 2013

Fund Accounts	Cash Balances June 30 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Interest - Undistributed	\$ 456	\$ 434	\$ 813	\$ 77	\$ -	\$ -	\$ 77
Yearbook Account	20,568	19,949	36,506	4,011	-	-	4,011
Lunch Charges w/fees	-	185	185	-	-	-	-
Environmental Club	150	118	51	217	-	-	217
School Account - High School	712	2,509	2,426	795	-	-	795
School Account - Elementary	1,364	2,510	2,249	1,625	-	-	1,625
OM	894	19,434	19,584	744	-	-	744
Coca Cola Account	3,057	8,812	8,096	3,773	-	-	3,773
Lost & Damages Textbooks - Elementary	535	225	760	-	-	-	-
Summer Camps	1,006	640	1,637	9	-	-	9
Counselor's Account	-	46,131	42,777	3,354	-	-	3,354
BFSA	-	2,286	2,286	-	-	-	-
Little Siblings	1,051	-	84	967	-	-	967
Choral Music	723	2,770	3,039	454	-	-	454
Band	8,738	5,741	12,136	2,343	-	(3,373)	(1,030)
National Honor Society	3,796	10,902	9,433	5,265	-	-	5,265
National Jr. Honor Society	814	5,314	5,297	831	-	-	831
Musical/Theater Account	3,605	19,688	16,524	6,769	-	-	6,769
Special Theater Account	-	6,367	3,865	2,502	-	-	2,502
Student Council	6,060	7,365	4,242	9,183	-	-	9,183
FACS	1,169	8,096	3,228	6,037	-	-	6,037
Elementary Fundraisers A-M	19,131	48,056	35,899	31,288	-	-	31,288
Athletic Fundraisers	18,968	122,800	109,877	31,891	-	(543)	31,348
High School Fundraisers A-H	5,331	41,913	39,105	8,139	-	-	8,139
Athletic Account	13,984	138,728	125,724	26,988	-	-	26,988
Scholarships	1	1,200	1,200	1	-	-	1
Beth Wondrely Memorial Scholarship	380	120	500	-	-	-	-
Edgar McNabb Scholarship	3,680	-	600	3,080	-	-	3,080
High School Clubs	5,809	27,414	27,485	5,738	-	(98)	5,640
Class of 2012	1,983	-	1,983	-	-	-	-
Class of 2013	617	5,220	3,395	2,442	-	-	2,442
Class of 2014	-	14,600	13,451	1,149	-	-	1,149
Elementary Grades Account	5,070	27,305	27,017	5,358	-	-	5,358
Bus Fees - Field Trips	-	12,361	12,361	-	-	-	-
Junior Class Trip	1,940	1,976	3,368	548	-	-	548
HS Foreign Language Trip	226	564	790	-	-	-	-
HS Student Recognition	2,761	6,674	4,724	4,711	-	-	4,711
German Club	-	-	-	-	-	-	-
Extended Learning	-	1,821	1,671	150	-	-	150
HS Field Trips & Misc Studies	12,559	17,097	12,353	17,303	-	-	17,303
Student Aid Donations	424	-	424	-	-	-	-
Library	1,914	202	45	2,071	-	-	2,071
Technology	1,910	6,500	1,991	6,419	-	-	6,419
Junior Achievement	219	-	-	219	-	-	219
Health Policy	1,600	1,730	1,335	1,995	-	-	1,995
NKOA	-	200	-	200	-	-	200
Paperbacks - Lost & Damaged	3,464	-	698	2,766	-	-	2,766
College Book Camp	-	1,850	-	1,850	-	-	1,850
Parking Passes	276	1,656	1,229	703	-	-	703
Student Fees	11,053	199,875	196,886	14,042	7,171	-	21,213
Subtotals	167,998	849,338	799,329	218,007	7,171	(4,014)	221,164
Interfund Transfers	-	(127,497)	(127,497)	-	-	-	-
TOTALS	\$ 167,998	\$ 721,841	\$ 671,832	\$ 218,007	\$ 7,171	\$ (4,014)	\$ 221,164



**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***

**Members of the Board of Education
Beechwood Independent Board of Education
Fort Mitchell, Kentucky**

**Kentucky State Committee for School Board Audits
Frankfort, Kentucky**

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beechwood Independent Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Beechwood Independent Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beechwood Independent Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beechwood Independent Board of Education'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 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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Finding number 2013-1 through 2013-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beechwood Independent Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 18, 2013**

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**Members of the Board of Education
Beechwood Independent Board of Education
Fort Mitchell, Kentucky**

**Kentucky State Committee for School District Audits
Frankfort, Kentucky**

In planning and performing our audit of the financial statements of Beechwood Independent Board of Education for the year ended June 30, 2013, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 18, 2013 on the financial statements of the Beechwood Independent Board of Education.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

General Fund

In testing of employee wages paid, it was noted that one employee was incorrectly paid by approximately \$400 due to being paid at one "step category" over the authorized category. It appears to be an isolated instance as no other differences were found.

Management Response

The error was corrected in the 6/30/13 year. All pay categories are reviewed by the Finance Officer. The error was an isolated instance.

Lunch Program

From a review of computer runs of lunch receipts, they were compared to the receipt bank deposits. A few days had a bank deposit not in agreement with the computer runs. Almost all differences were under \$10, an over/short situation. While the differences were minor and infrequent, we recommend that the lunch program manager keep a tally of over/short amounts. Analysis of any over/short trends, cumulative amounts and which registers had differences could be beneficial to control of lunch program cash receipts.

Management Response

In the 6/30/13 year, the Lunch Program began to track over and short amounts
Activity Fund

It was noted that the school Activity Fund does not use the "School Fundraiser" form as recommended by the "Red Book". We recommend that the Activity Fund use the Fundraiser form for all school fundraising activities to better document fundraiser activities.

Management Response

The "School Fundraiser" form was not utilized in the 6/30/13 year.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding Number 2013-1

Disbursements – It was noted that the files containing disbursement documentation (paid invoices) were not maintained in check numerical order as required by "Purchasing" section of the Red Book. Disbursements not maintained in check number order by month makes it difficult to locate all invoices selected for audit. We recommend that all paid invoices be maintained together by month, in check numerical order, as required.

Management Response – New office will be provided to the Central Fund Treasurer with more space and less distractions and he will attempt to comply with improved disbursement organization.

Finding Number 2013-2

Purchase Orders – As required by the "Purchasing" section of the Red Book, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated. The Purchase Order is filed with the school treasurer and held until the merchandise is received. Purchase Orders were not used.

Management Response – Purchase orders are now being used effective July 1, 2013.

Finding Number 2013-3

Other Disbursement Findings –

- Two invoices (16646 and 17853) were not able to be located for audit.
- Disbursement documentation (standard invoices) do not always have required signatures.
- Disbursement number 16672 – Visa payment contained no supporting documentation for charged amounts.
- Disbursement number 16781 – no disbursing forms (standard invoice, requisition form) had principal or sponsor approvals.
- Disbursement number 16789 – Standard invoice had no approval signatures and represented a direct gasoline reimbursement, instead of a travel voucher of mileage, which is against Board policy.
- Disbursement number 16823 – Standard invoice had no approval signatures and was an unallowable expenditure under Board policy (meals purchased for janitors).



- Disbursement number 17013 – Standard invoice has no approval signatures including signature of vendor (as there was no documentation for reimbursement of field trip meals and other charges).

The school treasurer shall match up the purchase order, shipping document (if applicable), and vendor or standard invoice and verify that all items have been received, services performed, all amounts agree, and that necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written.

Management Response – The District Superintendent, Finance Officer, Principals, Central Fund Treasurer and auditor met to discuss the above issues, how deficiencies might occur, proper forms to use and importance of all documentation and approvals.

Finding Number 2013-4

Credit Cards – Credit cards are to be kept under lock and key. A Sign-In/Out Form (Form F-SA-13) shall be used for the use of a credit card. There should be no charges on the card without a prior-approved purchase order. It is not evident that these procedures are followed.

Management Response – Have changed procedures to keep all credit cards under lock and key. Sign-in/out forms will be used.

Finding Number 2013-5

Bank Reconciliation – The Principal is responsible for opening the monthly bank (mailed or e-mailed) statement, scan check images for authorized signatures and abnormal transactions or amounts. The new Red Book has additional requirements of the Principal for bank reconciliations effective July 1, 2013. Currently the Principal does not participate in the bank reconciliation process.

Management Response – The principals will participate in the bank statement review process.

Finding Number 2013-6

See prior year recommendation for following the “Monitoring Fund – Raising” procedures such as using (Form F-SA-2B).

Management Response – The Activity Fund will start to use fund-raising procedures to comply with the new Red Book.

RANKIN, RANKIN & COMPANY

Ft. Wright, Kentucky
September 18, 2013