

**BEECHWOOD INDEPENDENT
BOARD OF EDUCATION**

Annual Financial Report

Year Ended June 30, 2014

**BEECHWOOD INDEPENDENT
BOARD OF EDUCATION**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

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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, 2014, 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, 2014, 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 9, 2014, 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

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

**Ft. Wright, Kentucky
September 9, 2014**

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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, 2014

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, 2014. 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 \$2,658,211. The ending cash balance, including activity funds, for the District was \$2,987,480. The increase in cash represents FY 2014 revenues in excess of expenditures.

The General Fund had \$10,309,587 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 \$9,805,004 in General Fund expenditures.

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

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 \$7.75 million as of June 30, 2014.

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, 2013 and June 30, 2014

	June 30, 2013	June 30, 2014
Current Assets	\$ 3,063,746	\$ 3,775,687
Noncurrent Assets	22,777,422	22,437,799
Total Assets	25,841,168	26,213,486
Deferred Outflows of Resources	264,333	246,662
Current Liabilities	919,559	888,509
Noncurrent Liabilities	18,092,916	17,799,143
Total Liabilities	19,012,475	18,687,652
Investment in capital assets (net of debt)	4,662,422	4,827,799
Restricted	726,291	529,916
Unrestricted	1,704,313	2,414,781
Total Net Position	\$ 7,093,026	\$ 7,772,496

The following table presents a summary of revenue and expenses of the governmental funds for the fiscal year ended June 30, 2013 and June 30, 2014.

	June 30, 2013	June 30, 2014
Revenues		
Local Revenue Sources	\$ 5,240,457	\$ 6,013,563
State Revenue Sources	5,365,830	5,664,802
Federal Revenue Sources	338,116	343,003
Other	-	21,536
Total Revenues	10,944,403	12,042,904
Expenses		
Instruction	\$ 6,450,617	\$ 6,687,086
Student Support Services	396,163	451,418
Instructional Support	281,729	287,026
District Administration	355,335	467,864
School Administration	574,849	638,937
Business Support	495,218	594,577
Plant Operations	1,155,513	1,199,284
Student Transportation	97,870	109,662
Facilities	3,962,510	266,368
Debt Service	1,433,408	1,376,609
Total Expenses	15,203,212	12,078,831
Revenue in Excess (Deficit) of Expenses	(4,258,809)	(35,927)
Accrued interest	7,533	14,744
Transfer to Proprietary Fund	(39,000)	(32,000)
Bonds issued and accrued interest	-	-
Bond discount	-	-
Federal Tax Rebate	515,290	489,951
Excess (deficiency) of revenues and other financing over expenditures	\$ (3,774,986)	\$ 436,768

Comments on Budget Comparisons

- The Board's total revenues for the fiscal year ended June 30, 2014 net of Interfund transfers and on-behalf payments, were \$8.70 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$330 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 \$1.32 million less than budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Board added \$304,389 in new asset additions. Overall debt decreased \$505,000.

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 2014-2015 with \$1,250,000 million in contingency (12.5%). The beginning cash balance for the fiscal year is \$2,765,195. 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, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 2,764,659	\$ 536	\$ 2,765,195
Investments	655,599	-	655,599
Receivables			
Taxes	95,200	-	95,200
Accounts	23,590	-	23,590
Intergovernmental	93,741	-	93,741
Other - Local	-	19,332	19,332
Inventories			-
Prepaid expenses	123,030	-	123,030
Total current assets	<u>3,755,819</u>	<u>19,868</u>	<u>3,775,687</u>
Capital assets not being depreciated	769,584	-	769,584
Capital assets, net of accumulated depreciation	<u>21,574,699</u>	<u>93,516</u>	<u>21,668,215</u>
Total assets	<u>26,100,102</u>	<u>113,384</u>	<u>26,213,486</u>
Deferred outflows of resources			
Deferred charges on bond costs	<u>246,662</u>	<u>-</u>	<u>246,662</u>
LIABILITIES			
Current Liabilities			
Accounts payable	170,914	-	170,914
Accrued salaries and benefits	-	-	-
Accrued interest payable	110,050	-	110,050
Deferred revenue	80,545	-	80,545
Compensated absences-current	7,000	-	7,000
Bonds payable and capital leases-due within one year	<u>520,000</u>	<u>-</u>	<u>520,000</u>
Total current liabilities	<u>888,509</u>	<u>-</u>	<u>888,509</u>
Noncurrent Liabilities			
Deferred revenue	633,620	-	633,620
Compensated absences	39,082	-	39,082
Deferred expense	36,441	-	36,441
Bonds payable and capital leases-due in more than one year	<u>17,090,000</u>	<u>-</u>	<u>17,090,000</u>
Total noncurrent liabilities	<u>17,799,143</u>	<u>-</u>	<u>17,799,143</u>
Total liabilities	<u>18,687,652</u>	<u>-</u>	<u>18,687,652</u>
NET POSITION			
Invested in capital assets, net of related debt	4,734,283	93,516	4,827,799
Restricted for:			
Capital projects	507,639	-	507,639
Debt service	22,277	-	22,277
Unrestricted	2,394,913	19,868	2,414,781
Total net position	<u>\$ 7,659,112</u>	<u>\$ 113,384</u>	<u>\$ 7,772,496</u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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	\$ 6,875,872	\$ 478,937	\$ 539,079	\$ -	\$ (5,857,856)	\$ -	\$ (5,857,856)
Support services:							
Student	492,992	-	-	-	(492,992)	-	(492,992)
Instruction staff	290,262	-	-	-	(290,262)	-	(290,262)
District administrative	467,864	-	-	-	(467,864)	-	(467,864)
School administrative	638,937	-	-	-	(638,937)	-	(638,937)
Business	594,897	-	-	-	(594,897)	-	(594,897)
Plant operation and maintenance	1,456,646	-	-	124,284	(1,332,362)	-	(1,332,362)
Student transportation	133,775	9,724	-	-	(124,051)	-	(124,051)
Interest and bond costs on long-term debt	885,546	-	589,663	-	(295,883)	-	(295,883)
Total governmental activities	<u>11,836,791</u>	<u>488,661</u>	<u>1,128,742</u>	<u>124,284</u>	<u>(10,095,104)</u>	<u>-</u>	<u>(10,095,104)</u>
Business-type Activities							
Food service	383,558	201,027	154,075	-	(28,456)	-	(28,456)
Total business-type activities	<u>383,558</u>	<u>201,027</u>	<u>154,075</u>	<u>-</u>	<u>(28,456)</u>	<u>-</u>	<u>(28,456)</u>
Total school district	<u>\$ 12,220,349</u>	<u>\$ 689,688</u>	<u>\$ 1,282,817</u>	<u>\$ 124,284</u>	<u>(10,095,104)</u>	<u>(28,456)</u>	<u>(10,123,560)</u>
General Revenues							
Taxes					5,341,439	-	5,341,439
Investment earnings					21,798	9	21,807
State aid formula grants					5,369,014	-	5,369,014
Miscellaneous					73,661	-	73,661
Loss on disposition of fixed assets					-	(2,891)	(2,891)
Transfers					(32,000)	32,000	-
Total general revenues and transfers					<u>10,773,912</u>	<u>29,118</u>	<u>10,803,030</u>
Change in net position					678,808	662	679,470
Net position - beginning					6,980,304	112,722	7,093,026
Net position - ending					<u>\$ 7,659,112</u>	<u>\$ 113,384</u>	<u>\$ 7,772,496</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue	Capital Projects Construction Fund	Non-major Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,859,611	\$ 336,950	\$ 188,459	\$ 379,639	\$ 2,764,659
Investments	-	-	-	655,599	655,599
Receivables				-	
Taxes	95,200	-	-	-	95,200
Accounts	23,590	-	-	-	23,590
Intergovernmental	-	93,741	-	-	93,741
Other local	-	-	-	-	-
Prepaid expenses	123,030	-	-	-	123,030
Total assets	\$ 2,101,431	\$ 430,691	\$ 188,459	\$ 1,035,238	\$ 3,755,819
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	108,723	2,030	60,161	-	170,914
Accrued salaries and benefits	-	-	-	-	-
Deferred revenue	32,000	48,545	-	633,620	714,165
Deferred expenses	36,441	-	-	-	36,441
Total liabilities	177,164	50,575	60,161	633,620	921,520
Fund Balances					
Nonspendable - prepaids	123,030	-	-	-	123,030
Restricted - capital projects	-	-	128,298	379,341	507,639
- debt service	-	-	-	22,277	22,277
Committed to - capital purchases	200,000	-	-	-	200,000
-sick leave	28,810	-	-	-	28,810
Assigned to - special projects	-	380,116	-	-	380,116
Unassigned	1,572,427	-	-	-	1,572,427
Total fund balances	1,924,267	380,116	128,298	401,618	2,834,299
Total liabilities and fund balances	\$ 2,101,431	\$ 430,691	\$ 188,459	\$ 1,035,238	\$ 3,755,819
Reconciliation to the Statement of Net Position:					
Total governmental fund balances					\$ 2,834,299
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			28,183,335	
	Accumulated depreciation			(5,839,052)	22,344,283
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in government funds:					
	Debt			(17,610,000)	
	Accrued sick leave			(46,082)	
	Accrued assessment			-	
				(17,656,082)	
Accrued interest on long-term debt					(110,050)
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					246,662
Total net position - governmental activities					\$ 7,659,112

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, 2014

	General Fund	Special Revenue	Capital Projects Construction Fund	Non-major Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Ad valorem taxes	\$ 4,152,810	\$ -	\$ -	\$ 586,664	\$ 4,739,474
Utility taxes	559,871	-	-	-	559,871
Penalties and other taxes	42,094	-	-	-	42,094
Earnings on investments	7,045	9	-	14,744	21,798
Other local sources	540,786	105,974	18,310	-	665,070
State sources					
SEEK	3,374,669	-	-	382,318	3,756,987
Other	-	196,076	-	99,712	295,788
Federal	-	343,003	-	489,951	832,954
Other revenues	20,285	1,251	-	-	21,536
On behalf payments - state	1,612,027	-	-	-	1,612,027
Total revenues	<u>10,309,587</u>	<u>646,313</u>	<u>18,310</u>	<u>1,573,389</u>	<u>12,547,599</u>
Expenditures					
Instruction	6,061,144	625,942	-	-	6,687,086
Support services					
Student	451,418	-	-	-	451,418
Instruction staff	282,118	4,908	-	-	287,026
District administration	467,864	-	-	-	467,864
School administration	638,937	-	-	-	638,937
Business	594,577	-	-	-	594,577
Plant operation and maintenance	1,199,284	-	-	-	1,199,284
Student transportation	109,662	-	-	-	109,662
Debt service					
Principal	-	-	-	505,000	505,000
Interest	-	-	-	871,609	871,609
Other	-	-	-	-	-
Capital outlay	-	-	266,368	-	266,368
Total expenditures	<u>9,805,004</u>	<u>630,850</u>	<u>266,368</u>	<u>1,376,609</u>	<u>12,078,831</u>
Excess (deficit) of revenues over/(under) expenditures	<u>504,583</u>	<u>15,463</u>	<u>(248,058)</u>	<u>196,780</u>	<u>468,768</u>
Other Financing Sources (Uses)					
Accrued interest	-	-	-	-	-
Federal tax rebate	-	-	-	-	-
Operating transfers in	-	213,013	-	786,946	999,959
Operating transfers out	(85,013)	-	(160,000)	(786,946)	(1,031,959)
Total other financing sources (uses)	<u>(85,013)</u>	<u>213,013</u>	<u>(160,000)</u>	<u>-</u>	<u>(32,000)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>419,570</u>	<u>228,476</u>	<u>(408,058)</u>	<u>196,780</u>	<u>436,768</u>
Fund balance, July 1, 2013	<u>1,504,697</u>	<u>151,640</u>	<u>536,356</u>	<u>204,838</u>	<u>2,397,531</u>
Fund balance, June 30, 2014	<u>\$ 1,924,267</u>	<u>\$ 380,116</u>	<u>\$ 128,298</u>	<u>\$ 401,618</u>	<u>\$ 2,834,299</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, 2014

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

Net change in fund balance - total governmental funds	\$ 436,768
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 (\$633,756) is more than capital outlay (\$304,389) in the current period.	(329,367)
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.	505,000
Bonds issued	-
Accrued interest on long-term debt is reported in the government wide financial statements, but not reported in governmental funds.	3,734
Accrued long-term sick leave change.	4,880
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>\$ 678,808</u>

See accompanying notes to basic financial statements.

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

June 30, 2014

		Business-type Activities Enterprise Fund Food Service
ASSETS		
Current Assets		
Cash and cash equivalents - held in consolidated account	\$	536
Other receivables-intergovernmental		-
Inventories		19,332
Total current assets		<u>19,868</u>
Noncurrent Assets		
Bldgs and improvements		117,211
Machinery and equipment		202,629
Less: Accumulated depreciation		(226,324)
Total noncurrent assets		<u>93,516</u>
Total assets		<u>113,384</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		93,516
Unrestricted		19,868
Total net position	\$	<u>113,384</u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS Year Ended June 30, 2014

	Business-type Activities
	Enterprise Fund Food Service
Operating Revenues	
Food service sales	\$ 200,940
Other operating revenues	87
Total operating revenues	<u>201,027</u>
Operating Expenses	
Salaries and wages	132,651
Employee benefits	49,430
Purchased professional and technical services	-
Purchased property services	2,889
Other purchased services	776
Supplies and materials	179,997
Depreciation	12,507
Other operating expenses	5,308
Total operating expenses	<u>383,558</u>
Operating income (loss)	<u>(182,531)</u>
Nonoperating revenues (expenses)	
Federal grants	110,540
State grants	3,645
Federal commodities	20,718
Interest income	9
Transfers in	32,000
On behalf payments	19,172
Loss on disposition of fixed assets	(2,891)
Total nonoperating revenues (expenses)	<u>183,193</u>
Net income (loss)	<u>662</u>
Total net position, July 1, 2013	112,722
Total net position, June 30, 2014	\$ <u><u>113,384</u></u>

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2014

	Business-type Activities
	Enterprise Fund
	Food Service
Cash Flows from Operating Activities	
Cash received from lunchroom sales	\$ 211,727
Cash payments to employees for services	(162,909)
Cash payments to suppliers for goods and services	(173,424)
Cash payments for other operating activities	(5,308)
Net cash from operating activities	<u>(129,914)</u>
Cash Flows from Capital Financing Activities	
Acquisition of capital assets	(5,142)
Net cash from capital financing activities	<u>(5,142)</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating grants received	114,185
Interest	9
Transfers in	32,000
Net cash from noncapital financing activities	<u>146,194</u>
Net increase in cash and cash equivalents	11,138
Cash and cash equivalents - beginning	(10,602)
Cash and cash equivalents - ending	<u>\$ 536</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (182,531)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	12,507
Changes in assets and liabilities:	
Accounts receivable	10,700
Inventory	(10,480)
Accounts payable	-
Commodities received	20,718
On-behalf payments	19,172
Net Cash Provided by Operating Activities	<u>\$ (129,914)</u>
Non-cash items:	
Commodities	\$ 20,718
On-behalf payments	\$ 19,172
Disposition of fixed assets	\$ (2,891)

See accompanying notes to basic financial statements.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS June 30, 2014

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Cash and cash equivalents	\$ 222,821
Accounts receivable	5,895
Total current assets	<u>228,716</u>
Total assets	<u>228,716</u>
LIABILITIES	
Accounts payable	306
Due to student groups	228,410
Total liabilities	<u>228,716</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, 2014

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, 2014

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, 2014

(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, 2014

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, 2014, to finance the General Fund operations were \$.811 per \$100 valuation for real property, \$.811 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 2014 year was based was \$586,663,899.

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, 2014</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, 2014</p>

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, 2014, the long-term debt of the financial reporting entity consisted of the following:

Capital lease obligations		
Current portion	\$	520,000
Non-current portion		17,090,000
	\$	<u>17,610,000</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, 2014

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 9, 2014, 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, 2014, 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, 2014

Investments

As of June 30, 2014, the Board had the following investment:

Erste Abwicklung stl Cpds	\$ 655,599
Maturity date 11/10/14	

Interest rate risk is limited as its investment is in a governmental zero coupon bond. Credit risk is limited due to the nature of the investment. Custodial credit risk, the risk of the failure of the counterparty, whereby the Board would not be able to recover the value of its investment that is in the possession of an outside party. The above investment is uninsured and is held by a bank trust company.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 769,584	\$ -	\$ -	\$ 769,584
Construction in progress	-	-	-	-
	<u>769,584</u>	<u>-</u>	<u>-</u>	<u>769,584</u>
Other capital assets:				
Land Improvements	1,362,057	-	-	1,362,057
Buildings & Building Improvements	24,504,640	294,689	-	24,799,329
Technology Equipment	479,205	-	19,270	459,935
Vehicles	420,252	-	-	420,252
General Equipment	370,978	9,700	8,500	372,178
TOTALS AT HISTORICAL COST	<u>27,137,132</u>	<u>304,389</u>	<u>27,770</u>	<u>27,413,751</u>
LESS ACCUMULATED DEPRECIATION:				
Land Improvements	861,792	49,469	-	911,261
Buildings & Building Improvements	3,427,592	515,773	-	3,943,365
Technology Equipment	431,114	11,404	19,270	423,248
Vehicles	274,581	34,425	-	309,006
General Equipment	237,987	22,685	8,500	252,172
TOTAL ACCUMULATED DEPRECIATION	<u>5,233,066</u>	<u>633,756</u>	<u>27,770</u>	<u>5,839,052</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 22,673,650</u>	<u>\$ (329,367)</u>	<u>\$ -</u>	<u>\$ 22,344,283</u>
BUSINESS-TYPE ACTIVITIES				
Buildings & Building Improvements	\$ 117,211	\$ -	\$ -	\$ 117,211
Technology Equipment	-	-	-	-
Vehicles	-	-	-	-
General Equipment	203,700	5,142	(6,213)	202,629
TOTALS AT HISTORIC COST	<u>320,911</u>	<u>5,142</u>	<u>(6,213)</u>	<u>319,840</u>
LESS ACCUMULATED DEPRECIATION:				
Buildings & Building Improvements	99,136	2,365	-	101,501
Technology Equipment	-	-	-	-
Vehicles	-	-	-	-
General Equipment	118,003	10,142	3,322	124,823
TOTAL ACCUMULATED DEPRECIATION	<u>217,139</u>	<u>12,507</u>	<u>3,322</u>	<u>226,324</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 103,772</u>	<u>\$ (7,365)</u>	<u>\$ (2,891)</u>	<u>\$ 93,516</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instructional	\$	269,130
Student Support Services		41,574
Instructional Support Services		3,236
District Administration		-
School Administration		-
Business Support Services		320
Plant Operation & Maintenance		295,383
Student Transportation		24,113
TOTAL	\$	<u>633,756</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 \$17,610,000.

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, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
Bonds under capital lease	\$ 18,115,000	\$ -	\$ 505,000	\$ 17,610,000	\$ 520,000
Compensated absences	50,962	-	4,880	46,082	7,000
	<u>\$ 18,165,962</u>	<u>\$ -</u>	<u>\$ 509,880</u>	<u>\$ 17,656,082</u>	<u>\$ 527,000</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2014

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, 2014 for debt service (principal and interest) are as follows:

Year	Bonds		Interest		Federal Tax	Total
	Beechwood	KSFCC	Beechwood	KSFCC	Rebate	
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
2017-18	529,696	35,304	388,174	413,087	(514,867)	851,394
2018-19	547,995	37,005	367,798	411,385	(510,028)	854,155
2019-24	2,867,664	217,336	1,441,038	2,024,617	(2,427,013)	4,123,642
2024-29	3,010,152	289,848	654,537	1,952,103	(2,129,485)	3,777,155
2029-31	854,614	7,610,386	35,713	568,587	(576,653)	8,492,647
	<u>\$ 9,322,738</u>	<u>\$ 8,287,262</u>	<u>\$ 4,157,704</u>	<u>\$ 6,617,567</u>	<u>\$ (7,726,800)</u>	<u>\$ 20,658,471</u>

Operating Leases

The Board has operating leases for five copiers beginning in April, 2013 for sixty months at \$1,924 per month.

Minimum future rentals as of June 30, 2014 are as follows:

Year Ending June 30	Copier Lease
2015	\$ 23,082
2016	23,082
2017	23,082
2018	17,312
2019	-
	<u>\$ 86,558</u>

Total lease expenditures for 2013-14 were \$35,490.

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, 2014, accumulated unpaid sick leave and vacation totaled \$46,082 for those employees eligible to retire at June 30, 2014.

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, 2014

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 11.355% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 14.605%. Employers contribute an additional 1.5% to the Retiree Medical Insurance Fund. The 2014 cost was \$103,561. 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, 2014, were \$684,933, and the Board paid \$26,306 from federal grant monies to KTRS in matching contributions for federally funded employees. The Board's contribution requirement to KTRS was \$49,219 for 2013 and \$47,259 for 2012. 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 18.89% 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, 2014 were \$177,398 equal to the required contributions for the year. The Board's contribution requirement to CERS was \$180,513 in 2013 and \$179,994 for 2012. 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, 2014

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.

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	\$ (248,058)
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BEECHWOOD INDEPENDENT BOARD OF EDUCATION NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2014

NOTE K – INTERFUND TRANSACTIONS

The Board had no interfund receivables/payables at June 30, 2014.

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	\$ 18,013
Operating	Building Fund	Debt Service	Debt	\$ 669,494
Operating	Capital Outlay	Debt Service	Debt	\$ 117,452
Operating	General	Food Service	Support	\$ 32,000
Operating	General	Special Revenue	Reserve	\$ 35,000
Operating	Construction	Special Revenue	Reserve	\$ 160,000

NOTE L – ON-BEHALF PAYMENTS

For the year ended June 30, 2014, the Commonwealth of Kentucky contributed payments on-behalf of the Board as follows:

Kentucky Teaches Retirement Plan	\$ 684,933
Health and Life and other costs, less federal reimbursement	892,198
KEN and MUNIS costs	54,068
	<u>\$ 1,631,199</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 \$99,712 for the 2014 fiscal year. In addition, \$316,810 was received from KSFCC for future bond payments and was included as deferred revenue in the Bond Escrow Account.

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 \$489,951 for the 2014 fiscal year.

NOTE M – COMMITMENTS

At June 30, 2014, the District had approved a resolution providing for the issuance of \$5,380,000 of School Building Revenue Refunding Bonds, Series 2014. The funds will be used for the advance refunding of the District’s 2009 bonds. The refunding bonds, dated July 1, 2014, were sold June 30, 2014, however the delivery date is August 4, 2014, whereby no cash was transacted and the 2009 bonds were not refunded until that date.

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, 2014

	Required Supplementary Information			VARIANCE WITH
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FINAL BUDGET Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 4,295,000	\$ 4,591,150	\$ 4,754,775	\$ 163,625
Earnings on investments	3,000	6,000	7,045	1,045
Other local sources	394,300	495,300	540,786	45,486
State sources	3,244,920	3,374,665	3,374,669	4
Other revenues	12,000	15,000	20,285	5,285
Intergovernmental revenue - on-behalf payments	-	1,497,566	1,612,027	114,461
TOTAL REVENUES	<u>7,949,220</u>	<u>9,979,681</u>	<u>10,309,587</u>	<u>329,906</u>
EXPENDITURES:				
Instruction	4,962,783	6,142,969	6,061,144	81,825
Student Support Services	294,002	447,297	451,418	(4,121)
Staff Support Services	235,421	281,683	282,118	(435)
District Administration	387,724	424,814	467,864	(43,050)
School Administration	528,281	542,211	638,937	(96,726)
Business Support Services	432,202	575,074	594,577	(19,503)
Plant Operation & Maintenance	1,159,631	1,241,243	1,199,284	41,959
Student Transportation	134,610	134,260	109,662	24,598
Debt Service - Other	-	-	-	-
Capital Outlay	-	-	-	-
Contingency	876,976	1,337,140	-	1,337,140
TOTAL EXPENDITURES	<u>9,011,630</u>	<u>11,126,691</u>	<u>9,805,004</u>	<u>1,321,687</u>
Excess (deficit) of revenues over expenditures	<u>(1,062,410)</u>	<u>(1,147,010)</u>	<u>504,583</u>	<u>1,651,593</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(37,590)	(87,990)	(85,013)	2,977
Total other financing sources (uses)	<u>(37,590)</u>	<u>(87,990)</u>	<u>(85,013)</u>	<u>2,977</u>
Net change in fund balance	(1,100,000)	(1,235,000)	419,570	1,654,570
Fund balance, July 1, 2013	1,100,000	1,235,000	1,504,697	269,697
Fund balance, June 30, 2014	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,924,267</u>	\$ <u>1,924,267</u>
Fund balance, June 30, 2014			\$ <u>1,924,267</u>	
Adjustments to Generally Accepted Accounting Principles				
Intergovernmental revenue			<u>1,612,027</u>	
On-behalf payments				
Instruction			1,150,154	
Support services			407,805	
Technology support			<u>54,068</u>	
Fund balance, June 30, 2014 (GAAP basis)			<u>1,612,027</u>	
			<u>\$ 1,924,267</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, 2014</p>

	Required Supplementary Information			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
	BUDGET	BUDGET		Favorable
				(Unfavorable)
REVENUES:				
Other Local Sources	\$ 75,233	\$ 91,731	\$ 107,234	\$ 15,503
State Sources	205,917	210,876	196,076	(14,800)
Federal Sources	386,051	366,768	343,003	(23,765)
TOTAL REVENUES	667,201	669,375	646,313	(23,062)
EXPENDITURES:				
Instructional	785,470	682,480	625,942	56,538
Staff Support Services	4,804	4,908	4,908	-
Other	-	-	-	-
TOTAL EXPENDITURES	790,274	687,388	630,850	56,538
EXCESS (DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(123,073)	(18,013)	15,463	33,476
OTHER FINANCING SOURCES (USES):				
Operating transfers in	18,013	18,013	213,013	195,000
TOTAL OTHER FINANCING SOURCES (USES)	18,013	18,013	213,013	195,000
NET CHANGE IN FUND BALANCE	(105,060)	-	228,476	228,476
FUND BALANCES, July 1, 2013	125,619	125,619	151,640	26,021
FUND BALANCES, June 30, 2014	\$ 20,559	\$ 125,619	\$ 380,116	\$ 254,497

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	Capital Project Funds				Bond	Total
	FSPK Building Fund	SEEK Capital Outlay Fund	Debt Service Fund	Escrow Account	Non-major Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 308,514	\$ 70,827	\$ -	\$ 298	\$ 379,639	
Investments	-	-	-	655,599	655,599	
Total assets	\$ 308,514	\$ 70,827	\$ -	\$ 655,897	\$ 1,035,238	
LIABILITIES AND FUND BALANCES						
Liabilities						
Deferred income	\$ -	\$ -	\$ -	\$ 633,620	\$ 633,620	
Total liabilities	\$ -	\$ -	\$ -	\$ 633,620	\$ 633,620	
Fund Balances						
Nonspendable - prepaids					-	
Restricted						
Capital projects	308,514	70,827	-	-	379,341	
Debt service	-	-	-	22,277	22,277	
Unassigned	-	-	-	-	-	
Total fund balances	308,514	70,827	-	22,277	401,618	
Total liabilities and fund balances	\$ 308,514	\$ 70,827	\$ -	\$ 655,897	\$ 1,035,238	

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, 2014

	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	\$ 586,664	\$ -	\$ -	\$ -	\$ -	\$ 586,664
Interest	-	-	-	-	14,744	14,744
State sources						
SEEK	264,866	117,452	-	-	-	382,318
Other	-	-	99,712	-	-	99,712
Federal	-	-	489,951	-	-	489,951
Total revenues	<u>851,530</u>	<u>117,452</u>	<u>589,663</u>	<u>14,744</u>		<u>1,573,389</u>
Expenditures						
Debt service						
Principal	-	-	505,000	-	-	505,000
Interest	-	-	871,609	-	-	871,609
Other debt costs	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,376,609</u>	<u>-</u>	<u>-</u>	<u>1,376,609</u>
Excess (deficit) of revenues over expenditures	<u>851,530</u>	<u>117,452</u>	<u>(786,946)</u>	<u>14,744</u>		<u>196,780</u>
Other Financing Sources (Uses)						
Accrued interest	-	-	-	-	-	-
Federal tax rebate	-	-	-	-	-	-
Operating transfers in	-	-	786,946	-	-	786,946
Operating transfers out	(669,494)	(117,452)	-	-	-	(786,946)
Total other financing sources (uses)	<u>(669,494)</u>	<u>(117,452)</u>	<u>786,946</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>182,036</u>	<u>-</u>	<u>-</u>	<u>14,744</u>		<u>196,780</u>
Fund balance, July 1, 2013	<u>126,478</u>	<u>70,827</u>	<u>-</u>	<u>7,533</u>		<u>204,838</u>
Fund balance, June 30, 2014	<u>\$ 308,514</u>	<u>\$ 70,827</u>	<u>\$ -</u>	<u>\$ 22,277</u>		<u>\$ 401,618</u>

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BEECHWOOD HIGH SCHOOL
Year Ended June 30, 2014

Fund Accounts	Cash Balances June 30 2013	Receipts	Disbursements	Cash Balances June 30 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
Interest - Undistributed	\$ 77	\$ 386	\$ -	\$ 463	\$ -	\$ -	\$ 463
Yearbook Account	4,011	20,271	3,136	21,146	-	-	21,146
Lunch Charges w/fees	-	182	182	-	-	-	-
Science Club	217	-	178	39	-	-	39
School Account - High School	795	242	1,037	-	-	-	-
School Account - Elementary	1,625	1,119	2,744	-	-	-	-
OM	744	33,192	31,382	2,554	-	-	2,554
Teacher's Account	3,773	3,022	6,795	-	-	-	-
Summer Camps	9	-	-	9	-	-	9
Counselor's Account	3,354	6,213	9,567	-	-	-	-
BFSA	-	-	-	-	-	-	-
Little Siblings	967	-	-	967	-	-	967
Honor Choir	454	434	849	39	-	-	39
Band	2,343	360	2,703	-	-	-	-
National Honor Society	5,265	9,413	11,369	3,309	-	-	3,309
National Jr. Honor Society	831	5,549	5,475	905	-	-	905
High School Play	6,769	9,332	11,363	4,738	-	-	4,738
Special Theater Account	2,502	8,237	3,676	7,063	-	-	7,063
Student Council	9,183	7,181	7,964	8,400	-	-	8,400
FACS	6,037	-	6,037	-	-	-	-
Elementary Fundraisers A-M	31,288	17,636	30,426	18,498	-	(78)	18,420
Athletic Fundraisers	31,891	105,924	90,804	47,011	-	-	47,011
High School Fundraisers A-J	8,139	35,455	40,379	3,215	-	-	3,215
Athletic Account	26,988	126,427	106,312	47,103	-	(228)	46,875
Scholarships	1	-	-	1	-	-	1
Beth Wondrely Memorial Scholarship	-	500	500	-	-	-	-
Edgar McNabb Scholarship	3,080	-	600	2,480	-	-	2,480
High School Clubs	5,738	23,908	20,112	9,534	-	-	9,534
Class of 2015	-	9,250	7,876	1,374	-	-	1,374
Class of 2013	2,442	-	2,442	-	-	-	-
Class of 2014	1,149	5,348	1,872	4,625	-	-	4,625
Elementary Grades Account	5,358	23,838	25,193	4,003	-	-	4,003
Bus Fees - Field Trips	-	9,729	9,729	-	-	-	-
Junior Class Trip	548	176	140	584	-	-	584
HS Student Recognition	4,711	2,070	1,201	5,580	-	-	5,580
Extended Learning	150	491	641	-	-	-	-
HS Field Trips & Misc Studies	17,303	13,371	12,990	17,684	-	-	17,684
Student Aid Donations	-	-	-	-	-	-	-
Library	2,071	40	2,111	-	-	-	-
Technology	6,419	-	6,419	-	-	-	-
Junior Achievement	219	-	-	219	-	-	219
Health Policy	1,995	60	2,055	-	-	-	-
NKOA	200	-	-	200	-	-	200
Paperbacks - Lost & Damaged	2,766	-	2,766	-	-	-	-
College Book Camp	1,850	5,150	5,134	1,866	-	-	1,866
Parking Passes	703	1,950	2,000	653	-	-	653
Student Fees	14,042	204,815	210,298	8,559	5,895	-	14,454
Subtotals	218,007	691,271	686,457	222,821	5,895	(306)	228,410
Interfund Transfers	-	(38,187)	(38,187)	-	-	-	-
TOTALS	\$ 218,007	\$ 653,084	\$ 648,270	\$ 222,821	\$ 5,895	\$ (306)	\$ 228,410



**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, 2014, 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 9, 2014.

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. 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 numbers 2014-1 through 2014-9.

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*.

Beechwood Independent Board of Education's Response to Findings

Beechwood Independent Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Beechwood's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 9, 2014**

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2014

Finding Number 2014-1 - Lunch Program Finding

In most instances there was only one initialing of the deposit ticket by the two cash counters.

District policy indicates that both of the cash counters initial the deposit ticket to document that two individuals participated in the cash reconciliation and deposit.

Management Response – The Lunch Program manger will oversee that both cash counters initial the bank deposit ticket.

Finding Number 2014-2

Most lunch program days have minor over or short amounts from the cash register documentation to the final cash counts. However, for many of those deposits, the actual deposit was the amount of the register documentation, not the actual cash counted. Often a small amount (normally under \$1) is added to the deposit (short) or removed from a deposit (over) to make the deposit agree to the register documentation.

This process is not the recommended procedure. The deposit should represent the actual cash counted and the over/short account should properly reflect the difference between documentation and actual cash.

Management Response – The Lunch Program will make the deposit in accordance with the above recommendation.

Finding Number 2014-3

For several months during the year, the receipts documentation package did not include the "End of Day Cashier Report". The report (EDCR) represents the comparison of register documentation to actual cash counts.

The inclusion of the EDCR is necessary to properly document the summary of register reports, cash deposited and over/short amounts, if any.

Management's Response – The EDCR will be printed each day and made a part of the daily deposit documentation.

Finding Number 2014-4 - Activity Fund

The Activity Fund treasurer sometimes completes parts of the form F-SA-1, Requisition and Report of Ticket Sales. The "Red Book" indicates the "person in charge of sales" should complete the form.

Management Response – The High School principal will review the ticket sales procedures and recommend "Red Book" compliance.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2014

Finding Number 2014-5

The 2013-14 "Prom" did not use or did not submit documentation of use of prenumbered tickets, nor a use of F-SA-1 as required by the "Red Book". Only a totaling of cash and checks and check copies were submitted.

Management Response – The High School principal will communicate to all appropriate parties, the use of F-SA-1 for all events for which admission is charged as required by the "Red Book".

Finding Number 2014-6

The 2013-14 school year ended with an excess of \$20,000 in unpaid school fee charges. This amount is significantly greater than past years and may be the result of insufficient procedures of communication with student parents. We recommend that a process be developed and initiated that assists in the collection of student fees. These procedures may include collecting fees at the beginning of the school year parent meetings and sending letters and or emails to parents during the school year reminding them of unpaid fees. Other collection efforts could be considered.

Management Response – The District's management will review the issue and develop a future process for collection of student fees.

Finding Number – 2014-7

During a test of disbursements, several isolated instances of oversights were noted.

1. Payment of charges of the golf team were made from a Board credit card with no invoice attached.
2. One invoice selected for testing could not be found.
3. Refunds to students were made without obtaining the student's signature of receipt (on form F-SA-14, Student Refund Form).

We recommend that additional care be given to avoid isolated instances of lack of documentation.

Management Response – Oversights or errors will try to be minimized.

Finding Number 2014-8

During a test of receipts, several isolated instances of oversights were noted.

1. Teacher Multiple Receipt Form – Two instances where the form was not mathematically accurate.
2. An instance where the ticket sellers did not initial the F-SA-1, Report of Ticket Sales, as required by the form.

Management Response – Oversights or errors will try to be minimized.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
CURRENT YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2014

Finding Number 2014-9

It was noted in the testing of receipts that there were F-SA-1 form shortages (over/under) in the cash count compared to tickets sold, that were higher than expected for small gates (\$21 short on a \$99 gate and \$13 short on an \$80 gate). There was no documentation available to explain the abnormally large shortages.

We recommend that when an unusually large shortage occurs that inquiries be made and documented as to what might have caused the shortage and/or recount the number of tickets sold for accuracy.

Management Response – The High School principal will discuss with Athletic Director and Activity Fund Treasurer to formulate a process for response to an unusually large cash short amount.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

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 Update: The Activity Fund Treasurer has moved to a larger, less congested office. All disbursements are now maintained in check number order.

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 Update: Employees were reminded of the requirement to use Purchase Orders. Compliance with the requirement to use purchase orders was near 100% however there were some instances where a purchase order was not obtained prior to purchase. In these few instances, the employee was given additional one-on-one instructions on purchasing procedures. Beginning in April 2014 any non-compliance in the purchasing area was sent to the Board for approval.

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).

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

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 Update: The Activity Fund Treasurer has been working with sponsors and the principals to insure proper documentation and approvals are received prior to the issuance of any check.

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 Update: Credit cards are kept under lock and key with a sign-in and out process. All purchases, including credit card purchases must have an approved purchase order prior to purchase.

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 Update: The principal reviews and initials the bank statement and the bank reconciliation each month.

Finding Number 2013-6

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

Management Update: All employees have been reminded to complete the Fund Raiser worksheet. Compliance for school year 2013 -2014 is greatly improved but less than 100%. Since both the high school and the elementary school have new principals for school year 2014 -2015, the Finance Officer will meet with the principals to emphasize the correct Redbook procedures.