

BEECHWOOD INDEPENDENT BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Kentucky State Committee for School District Audits
Frankfort, KY

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 (Board) as of and for the year ended June 30, 2015, 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. 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.

Opinion

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 Board, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the Board adopted the provision of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*. We did not modify our opinion regarding this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information, listed in the table of contents, 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 Board'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 October 2, 2015, on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 2, 2015

BEECHWOOD INDEPENDENT SCHOOL DISTRICT



Founded 1860

Dr. Mike Stacy, Superintendent
50 Beechwood Road, Fort Mitchell, Kentucky 41017
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BEECHWOOD INDEPENDENT DISTRICT OF EDUCATION FT. MITCHELL, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$2,987,480. The ending cash balance, including activity funds, for the District was \$7,363,116. The increase in cash represents FY 2015 revenues in excess of expenditures and bond proceeds committed for construction.

The General Fund had \$11,827,403 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 \$11,383,663 in General Fund expenditures.

In March 2015, the District began construction of an elementary gymnasium and renovation of the school kitchen.

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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to

the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the 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 8 and 9 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 10-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provide in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-38 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 \$7.1 million as of June 30, 2015.

The largest portion of the Board’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The 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 it 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.

The following table presents a summary of net position for the period ending June 30, 2014 and June 30, 2015:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Current assets	\$ 3,775,687	\$ 8,376,380
Non-current assets	<u>22,437,799</u>	<u>22,996,373</u>
Total assets	<u>26,213,486</u>	<u>31,372,753</u>
Deferred outflows of resources	246,486	495,727
Current liabilities	888,509	1,279,697
Non-current liabilities	<u>17,799,143</u>	<u>23,312,967</u>
Total liabilities	<u>18,687,652</u>	<u>24,592,664</u>
Deferred outflows of resources	0	148,000
Net investment in capital assets	4,827,799	1,226,924
Nonspendable	246,662	495,727
Restricted	529,916	3,710,675
Unrestricted	<u>2,168,119</u>	<u>1,694,490</u>
Total net position	<u>\$ 7,772,496</u>	<u>\$ 7,127,816</u>

The following table presents a summary of revenue and expenses of the governmental funds for the fiscal year ended June 30, 2014 and June 30, 2015.

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Revenues and other sources:		
Local revenue	\$ 6,028,045	\$ 6,216,755
State revenue sources	5,664,802	6,288,828
Federal revenue sources	832,954	817,019
Investments	<u>21,798</u>	<u>29,236</u>
Total revenues	<u>12,547,599</u>	<u>13,351,838</u>
Expenditures:		
Instruction	6,687,086	7,128,365
Student support	451,418	569,957
Instruction staff	287,026	515,107
District administrative	467,864	477,257
School administrative	638,937	727,250
Business support	594,577	601,748
Plant operations	1,199,284	1,197,388
Student transportation	109,662	102,067
Debt service	1,376,609	6,564,028
Capital outlay	<u>266,368</u>	<u>1,021,824</u>
Total expenditures	<u>12,078,831</u>	<u>18,904,991</u>
Excess of revenues over (under) expenditures	<u>468,768</u>	<u>(5,553,153)</u>
Other financing sources (uses):		
Bond proceeds	0	9,790,000
Bond premium proceeds	0	61,345
Bond issuance costs	0	(249,065)
Escrow interest	0	11,968
Transfer to proprietary fund	<u>(32,000)</u>	<u>0</u>
Net change in fund balances	<u>\$ 436,768</u>	<u>\$ 4,061,095</u>

Comments on Budget Comparisons

- General fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,567,367 more than budget.
- General fund budgeted expenditures to actual expenditures varied from line item to line item with the ending actual balance being \$489,373 less than budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Board added \$1.1 million in new asset additions. Overall debt increased \$3.99 million.

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 2015-2016 with \$1.68 million in contingency (12.9%). The beginning cash balance in the general fund for the fiscal year is \$2,765,195. Significant Board action that impacts the finances of the district included step increases for all classified employees and all certified employees, facility repairs, and equipment purchases.

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

Beechwood Independent Board of Education
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 7,109,131	\$ 37,280	\$ 7,146,411
Investments	994,974	0	994,974
Receivables:			
Taxes	0	0	0
Accounts	131,654	0	131,654
Intergovernmental - federal	0	0	0
Prepaid expenses	99,503	0	99,503
Inventory	0	3,838	3,838
Capital assets, net	22,913,269	83,104	22,996,373
Total assets	31,248,531	124,222	31,372,753
Deferred outflows of resources			
Related to pensions	177,590		177,590
Deferred charge on refunding	495,727	0	495,727
Total deferred outflows of resources	673,317	0	673,317
Liabilities:			
Accounts payable	414,962	209	415,171
Unemployment payable	1,396	0	1,396
Accrued interest payable	110,050	0	110,050
Compensated absences	26,192	0	26,192
Unearned revenue	73,080	0	73,080
Deferred revenue	950,430	0	950,430
Net pension liability	1,330,000	0	1,330,000
Long-term liabilities:			
Due within one year	680,000	0	680,000
Due in more than one year	21,006,345	0	21,006,345
Total liabilities	24,592,455	209	24,592,664
Deferred inflows of resources			
Related to pensions	148,000	0	148,000
Total deferred inflows of resources	148,000	0	148,000
Net position:			
Net investment in capital assets	1,226,924	0	1,226,924
Nonspendable	495,727	0	495,727
Restricted for:			
Capital projects	3,630,393	0	3,630,393
Debt service	44,544	0	44,544
Other purposes	0	0	0
Unrestricted	1,783,805	124,013	1,907,818
Total net position	\$ 7,181,393	\$ 124,013	\$ 7,305,406

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

Beechwood Independent Board of Education
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 7,527,726	\$ 435,136	\$ 817,019	\$ 0	\$ (6,275,571)	\$ 0	\$ (6,275,571)
Support services:							
Student	592,371	0	0	0	(592,371)	0	(592,371)
Instruction staff	518,343	0	0	0	(518,343)	0	(518,343)
District administrative	477,257	0	0	0	(477,257)	0	(477,257)
School administrative	727,250	0	0	0	(727,250)	0	(727,250)
Business support	602,068	0	0	0	(602,068)	0	(602,068)
Plant operation and maintenance	1,332,482	0	0	0	(1,332,482)	0	(1,332,482)
Student transportation	126,180	0	0	0	(126,180)	0	(126,180)
Interest on long-term debt	777,060	0	0	0	(777,060)	0	(777,060)
Total governmental activities	<u>12,680,737</u>	<u>435,136</u>	<u>817,019</u>	<u>0</u>	<u>(11,428,582)</u>	<u>0</u>	<u>(11,428,582)</u>
Business-type activities:							
Food service	401,196	250,922	160,840	0	0	10,566	10,566
Total business-type activities	<u>401,196</u>	<u>250,922</u>	<u>160,840</u>	<u>0</u>	<u>0</u>	<u>10,566</u>	<u>10,566</u>
Total district	<u>\$ 13,081,933</u>	<u>\$ 686,058</u>	<u>\$ 977,859</u>	<u>\$ 0</u>	<u>(11,428,582)</u>	<u>10,566</u>	<u>(11,418,016)</u>
General revenues:							
Property taxes					4,892,863	0	4,892,863
Motor vehicle taxes					286,879	0	286,879
Utilities tax					392,542	0	392,542
State aid formula grants					6,288,828	0	6,288,828
Investment earnings					29,236	63	29,299
Other revenues					209,335	0	209,335
Total general revenues					<u>12,099,683</u>	<u>63</u>	<u>12,099,746</u>
Change in net position					671,101	10,629	681,730
Prior period adjustment					(1,148,820)	0	(1,148,820)
Net position - beginning of year					<u>7,659,112</u>	<u>113,384</u>	<u>7,772,496</u>
Net position - end of year					<u>\$ 7,181,393</u>	<u>\$ 124,013</u>	<u>\$ 7,305,406</u>

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

Beechwood Independent Board of Education
 Balance Sheet
 Governmental Funds
 June 30, 2015

	General Fund	Building Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,314,796	\$ 462,285	\$ 3,818,451	\$ 0	\$ 513,599	\$ 7,109,131
Investments	0	0	0	994,974	0	994,974
Receivables:						
Taxes	0	0	0	0	0	0
Accounts	53,151	0	0	0	78,503	131,654
Intergovernmental - federal	0	0	0	0	0	0
Prepaid expenses	99,503	0	0	0	0	99,503
Total assets	\$ 2,467,450	\$ 462,285	\$ 3,818,451	\$ 994,974	\$ 592,102	\$ 8,335,262
Liabilities:						
Accounts payable	\$ 118,094	\$ 0	\$ 278,100	\$ 0	18,768	\$ 414,962
Unemployment payable	1,396	0	0	0	0	1,396
Unearned revenue	43,150	0	0	0	29,930	73,080
Total liabilities	162,640	0	278,100	0	48,698	489,438
Deferred inflows of resources:						
Other	0	0	0	950,430	0	950,430
Total deferred inflows of resources	0	0	0	950,430	0	950,430
Fund balances:						
Nonspendable	99,503	0	0	0	0	99,503
Restricted	0	462,285	3,540,351	44,544	90,042	4,137,222
Committed	226,191	0	0	0	0	226,191
Assigned	0	0	0	0	453,362	453,362
Unassigned	1,979,116	0	0	0	0	1,979,116
Total fund balances	2,304,810	462,285	3,540,351	44,544	543,404	6,895,394
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,467,450	\$ 462,285	\$ 3,818,451	\$ 994,974	\$ 592,102	\$ 8,335,262

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

Beechwood Independent Board of Education
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 Beechwood Independent Board of Education
 June 30, 2015

Total governmental fund balances	\$ 6,895,394
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,913,269
Deferred bond costs are not available to pay for current period expenditures and therefore are deferred inflows in the funds	495,727
Deferred outflows of resources related to pensions	177,590
Deferred inflows of resources related to pensions	(148,000)
Certain liabilities are not due and payable from current resources and therefore are not reported in the funds	
Net pension liability	(1,330,000)
Long-term liabilities	(21,686,345)
Compensated absences	(26,192)
Accrued interest payable	<u>(110,050)</u>
Net position of governmental activities	<u>\$ 7,181,393</u>

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

Beechwood Independent Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Building Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	\$ 4,279,461	\$ 613,402	\$ 0	\$ 0	\$ 0	\$ 4,892,863
Motor vehicle	286,879	0	0	0	0	286,879
Utilities	392,542	0	0	0	0	392,542
Tuition and fees	435,136	0	0	0	0	435,136
Earnings on investments	18,712	0	(11,783)	22,268	39	29,236
Other local revenue	68,439	0	0	0	140,896	209,335
Intergovernmental - State	3,650,647	292,112	0	0	422,956	4,365,715
Intergovernmental - State on behalf	1,823,027	0	0	100,086	0	1,923,113
Intergovernmental - Indirect federal	0	0	0	441,929	375,090	817,019
Total revenues	10,954,843	905,514	(11,783)	564,283	938,981	13,351,838
Expenditures:						
Instruction	6,333,535	0	0	0	794,830	7,128,365
Support services:						
Student	569,900	0	0	0	57	569,957
Instruction staff	503,208	0	0	0	11,899	515,107
District administrative	476,007	0	0	0	1,250	477,257
School administrative	727,250	0	0	0	0	727,250
Business support	601,748	0	0	0	0	601,748
Plant operation and maintenance	1,197,388	0	0	0	0	1,197,388
Student transportation	102,067	0	0	0	0	102,067
Debt service						
Principal	0	0	0	5,775,000	0	5,775,000
Interest	0	0	0	789,028	0	789,028
Capital outlay	0	0	1,021,824	0	0	1,021,824
Total expenditures	10,511,103	-	1,021,824	6,564,028	808,036	18,904,991
Excess of revenues over (under) expenditures	443,740	905,514	(1,033,607)	(5,999,745)	130,945	(5,553,153)
Other financing sources (uses):						
Bond proceeds	0	0	4,475,000	5,315,000	0	9,790,000
Bond premium proceeds	0	0	0	61,345	0	61,345
Bond issuance costs	0	0	(122,632)	(126,433)	0	(249,065)
Escrow interest	0	0	0	11,968	0	11,968
Transfers in	0	0	208,775	760,132	63,197	1,032,104
Transfers out	(63,197)	(751,743)	(115,483)	0	(101,681)	(1,032,104)
Total other financing sources (uses)	(63,197)	(751,743)	4,445,660	6,022,012	(38,484)	9,614,248
Net change in fund balances	380,543	153,771	3,412,053	22,267	92,461	4,061,095
Fund balances - beginning of year	1,924,267	308,514	128,298	22,277	450,943	2,834,299
Fund balances - end of year	\$ 2,304,810	\$ 462,285	\$ 3,540,351	\$ 44,544	\$ 543,404	\$ 6,895,394

The accompanying notes are an integral part of these 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
 For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 4,061,095

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

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

Capital asset additions	1,181,100
Depreciation expense	(612,114)

Bond proceeds are recorded as an other financing source in the government funds but are recorded as an increase in long-term liabilities in the statement of net position (9,790,000)

Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position 5,775,000

Payment of compensated absences is an expenditure in the government funds but the payment reduces the liability in the statement of net position 19,890

Governmental funds report board pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense (151,590)

Bond premium proceeds (61,345)

Bond issuance costs 249,065

Change in net position of governmental activities \$ 671,101

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

Beechwood Independent Board of Education
Statement of Net Position
Proprietary Fund
June 30, 2015

	<u>Food Service Fund</u>
Assets:	
Current assets:	
Cash	\$ 37,280
Inventory	<u>3,838</u>
Total current assets	<u>41,118</u>
Noncurrent assets:	
Capital assets, net	<u>83,104</u>
Total noncurrent assets	<u>83,104</u>
Total assets	<u><u>\$ 124,222</u></u>
Liabilities:	
Current liabilities:	
Accounts payable	<u>\$ 209</u>
Total current liabilities	<u>209</u>
Total liabilities	<u>209</u>
Net position:	
Net investment in capital assets	83,104
Restricted	<u>40,909</u>
Total net position	<u>124,013</u>
Total liabilities and net position	<u><u>\$ 124,222</u></u>

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

Beechwood Independent Board of Education
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	<u>Food Service Fund</u>
Operating revenues	
Lunchroom sales	<u>\$ 250,922</u>
Total operating revenues	<u>250,922</u>
Operating expenses	
Salaries and wages	135,925
Employee benefits	50,040
Materials and supplies	200,080
Depreciation	10,412
Other operating expenses	<u>4,739</u>
Total operating expenses	<u>401,196</u>
Operating loss	<u>(150,274)</u>
Nonoperating revenues	
Other local revenue	33
Federal grants	113,534
Donated commodities	23,623
Intergovernmental - State	3,831
Intergovernmental - State on behalf	19,819
Interest income	<u>63</u>
Total nonoperating revenues	<u>160,903</u>
Change in net position	10,629
Net position - beginning of year	<u>113,384</u>
Net position - end of year	<u><u>\$ 124,013</u></u>

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

Beechwood Independent Board of Education
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 250,922
Cash paid to:	
Employees	(166,146)
Suppliers for goods and services	(160,755)
Other activities	<u>(4,737)</u>
Net cash used for operating activities	<u>(80,716)</u>
Cash flows from noncapital financing activities:	
Government grants	<u>117,397</u>
Net cash provided by noncapital financing activities	<u>117,397</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	<u> </u>
Net cash flows used for capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest income received	<u>63</u>
Net cash flows provided by investing activities	<u>63</u>
Net decrease in cash and cash equivalents	36,744
Cash and cash equivalents, beginning of year	<u>536</u>
Cash and cash equivalents, end of year	<u><u>\$ 37,280</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (150,274)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	10,412
Change in:	
Inventory	15,495
Accounts payable	209
Commodities received	23,623
On-behalf payments	<u>19,819</u>
Net cash used for operating activities	<u><u>\$ (80,716)</u></u>
Non-cash items:	
Commodities received	\$ 23,623
On-behalf payments	\$ 19,819

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

Beechwood Independent Board of Education
Statement of Fiduciary Net Position
June 30, 2015

Assets:	
Cash and cash equivalents	\$ 253,985
Accounts receivable	<u>5,470</u>
Total assets	<u>\$ 259,455</u>
Liabilities:	
Accounts payable	\$ 8,629
Due to student groups	<u>250,826</u>
Total liabilities	<u>\$ 259,455</u>

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

NOTE 1 – ACCOUNTING POLICIES

A. The Reporting Entity

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

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others. The financial statements of the District include those 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. – In 1990 the Board 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 Section 58.180) (the “Corporation”) as an agency of the Board for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

B. Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and

grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the proprietary fund include personnel and other expenses related to food service operations. All revenues not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflow, liabilities, and deferred inflows is reported as fund balance. The following are the Board's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District

Construction Fund - The construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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

Building Fund – The building fund is 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 the Proprietary Fund).

Proprietary Fund Types (Enterprise Fund)

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

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

Fiduciary Fund Types (Agency Fund)

The Agency Fund accounts for activities for students 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.

D. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

Like the government-wide financial statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

E. 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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the

exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the 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, for which the District must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future operating period.

Property taxes not received within the available period and grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows in the governmental fund financial statements.

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. The measurement focus of governmental fund accounting is on the 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.

F. Financial Statement Amounts

i. Cash and Cash Equivalents

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

ii. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund which records inventory using the accrual basis of accounting.

iii. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 for food service equipment, \$5,000 for technology equipment and general equipment, and \$10,000 for land improvements and buildings and improvements. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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 capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 – 50 Years
Land improvements	20 Years
Technology	5 Years
Vehicles	5 – 10 Years
General equipment	15 Years
Food service equipment	10 – 12 Years

iv. Interfund Balances

On the fund financial statements, unpaid amounts for interfund services, if any, are reported as “due from/to other funds”. These amounts are eliminated in the governmental and business-type activity columns of the statement of net position, except any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

v. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

vi. Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 10% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is not reported.

vii. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

viii. Property Taxes

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

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$0.82 per \$100 valuation for real property, \$0.82 per \$100 for business real property, and \$0.574 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of gross receipts derived from telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

ix. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead.

x. Fund Balance Classification

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that 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 – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of District Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless District Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of District Council.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

xi. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component of “net investment in capital assets”, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Budgetary Process

Budgetary Basis of Accounting - The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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/objective level. All budget appropriations lapse at year-end.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

In the fiscal year, the Board implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*. The Board adopted these statements effective July 1, 2014 resulting in an increase in deferred outflow of resources related to pensions of \$177,590, a \$1,330,000 increase in net pension liability on the statement of net position, and a \$1,148,820 reduction in the District's net position as of July 1, 2014.

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NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
General checking	\$ 7,689,654	\$ 7,146,411
School activity	267,067	253,985
	<u>\$ 7,956,721</u>	<u>\$ 7,400,396</u>

Breakdown per financial statements:

Governmental funds	\$ 7,109,131
Proprietary funds	37,280
Agency funds	253,985
	<u>\$ 7,400,396</u>

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 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, 2015, all of the Board’s deposits are insured and/or collateralized with securities held by financial institutions on the Board’s behalf and FDIC insurance.

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NOTE 4 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2015 was as follows:

Governmental Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 769,584	\$ 0	\$ 0	\$ 769,584
Construction in progress	0	1,143,466	0	1,143,466
Total capital assets not being depreciated	<u>769,584</u>	<u>1,143,466</u>	<u>0</u>	<u>1,913,050</u>
Capital assets being depreciated:				
Land improvements	1,362,057	0	0	1,362,057
Buildings and improvements	24,799,329	29,315	0	24,828,644
Technology equipment	459,935	0	9,960	449,975
Vehicles	420,252	0	0	420,252
General equipment	372,178	9,019	9,500	371,697
Total capital assets being depreciated	<u>27,413,751</u>	<u>38,334</u>	<u>19,460</u>	<u>27,432,625</u>
Less accumulated depreciation for:				
Land improvements	911,261	31,288	0	942,549
Buildings and improvements	3,943,365	519,842	0	4,463,207
Technology equipment	423,248	11,404	9,960	424,692
Vehicles	309,006	27,499	0	336,505
General equipment	252,172	22,081	9,500	264,753
Total accumulated depreciation	<u>5,839,052</u>	<u>612,114</u>	<u>19,460</u>	<u>6,431,706</u>
Total capital assets being depreciated, net	<u>21,574,699</u>	<u>(573,780)</u>	<u>0</u>	<u>21,000,919</u>
Governmental activities capital assets, net	<u>\$ 22,344,283</u>	<u>\$ 569,686</u>	<u>\$ 0</u>	<u>\$ 22,913,969</u>

Business-Type Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets being depreciated:				
Buildings and improvements	\$ 117,211	\$ 0	\$ 0	\$ 117,211
General equipment	202,629	0	0	202,629
Total capital assets being depreciated	<u>319,840</u>	<u>0</u>	<u>0</u>	<u>319,840</u>
Less accumulated depreciation for:				
Buildings and improvements	101,501	2,365	0	103,866
General equipment	124,823	8,047	0	132,870
Total accumulated depreciation	<u>226,324</u>	<u>10,412</u>	<u>0</u>	<u>236,736</u>
Business-type activities capital assets, net	<u>\$ 93,516</u>	<u>\$ (10,412)</u>	<u>\$ 0</u>	<u>\$ 83,104</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 267,661
Support services:	
Student	22,414
Instruction staff	3,236
Business support	320
Plant operation and maintenance	294,370
Student transportation	24,113
	<u>\$ 612,114</u>

NOTE 5 – BONDED DEBT AND LEASED OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Board’s future obligation to make lease payments relating to the bonds issued by the Beechwood Independent School Board Finance Corporation aggregating \$21,625,000.

The original amount of each issue, the issue date, and interest rates are summarized as follows:

Issue Date	Principal	Rates
December 2007	\$ 2,125,000	3.3% - 3.85%
August 2009	\$ 6,050,000	1.7% - 6.3%
September 2010	\$ 3,860,000	1.0% - 5.0%
December 2011	\$ 7,560,000	5.00%
July 2014	\$ 5,315,000	1.65% - 3.25%
April 2015	\$ 4,475,000	2.0% - 3.1%

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 the sponsoring governmental entity 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 entered into participation agreements with the Kentucky School Facilities Construction Commission (the “Commission”). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

Issue	07/01/14	Issued	Retired	06/30/15	Due within One Year
Series 2007 Refunding	\$ 1,300,000	\$ 0	\$ 205,000	\$ 1,095,000	\$ 205,000
Series 2009	5,415,000	0	5,415,000	0	0
Series 2010	3,335,000	0	145,000	3,190,000	150,000
Series 2011	7,560,000	0	0	7,560,000	0
Series 2014 Refunding	0	5,315,000	10,000	5,305,000	210,000
Series 2015	0	4,536,345	0	4,536,345	115,000
Bonds under capital lease	17,610,000	9,851,345	5,775,000	21,686,345	680,000
Compensated absences	46,082		19,890	26,192	7,000
	<u>\$ 17,656,082</u>	<u>\$ 9,851,345</u>	<u>\$ 5,794,890</u>	<u>\$ 21,712,537</u>	<u>\$ 687,000</u>

Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and the Commission at June 30, 2015 for debt service (principal and interest) are as follows:

	Board		KSFCC		Federal Rebate	Total
	Principal	Interest	Principal	Interest		
2015-16	\$ 579,587	\$ 647,031	\$ 100,413	\$ 44,869	\$ (421,225)	\$ 950,675
2016-17	586,357	645,945	98,643	46,640	(420,021)	957,564
2017-18	594,558	633,084	100,442	44,840	(418,597)	954,327
2018-19	612,726	619,610	102,274	43,007	(416,969)	960,648
2019-20	625,859	605,476	104,141	41,142	(415,077)	961,541
2020-25	3,378,340	2,829,681	551,661	174,751	(2,034,915)	4,899,518
2025-30	3,867,130	2,424,649	607,870	100,125	(1,945,618)	5,054,156
2030-35	1,873,331	341,521	7,903,013	31,448	(189,922)	9,959,391
	<u>\$ 12,117,888</u>	<u>\$ 8,746,997</u>	<u>\$ 9,568,457</u>	<u>\$ 526,822</u>	<u>\$ (6,262,344)</u>	<u>\$ 24,697,820</u>

NOTE 6 – COMMITMENTS UNDER NONCAPITALIZED LEASES

The Board has operating leases for copiers beginning April 2013 for sixty months at \$1,924 per month. Future minimum rentals as of June 30, 2015 are as follows:

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

NOTE 7 – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

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

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

General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member’s five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

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

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Board's proportionate share of the CERS net pension liability	\$ 1,330,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the Board	<u>34,951,247</u>
	<u>\$ 36,281,247</u>

The Board's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 4.0979% percent.

For the year ended June 30, 2015, the Board recognized pension expense of \$151,590 related to CERS and \$1,696,200 related to KTRS. The Board also recognized revenue of \$1,696,200 for KTRS support provided by the Commonwealth. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	148,000
Changes in proportion and differences between Board contributions and proportionate share of contributions	0	0
Board contributions subsequent to the measurement date	<u>177,590</u>	<u>0</u>
	<u>\$ 177,590</u>	<u>\$ 148,000</u>

\$177,590 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	29,600
2017	29,600
2018	29,600
2019	29,600
2020	29,600

Actuarial assumptions—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
Board's proportionate share of net pension liability	\$ 1,158,387	\$ 1,330,000	\$ 1,501,613
KTRS	4.23%	5.23%	6.23%
Board's proportionate share of net pension liability	\$ 0	\$ 0	\$ 0

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

NOTE 8 – CONTINGENCIES

A. Grants

The Board receives funding from federal and state agencies in the form of grants. 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.

B. Litigation

The Board is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the Board and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of cases presently in progress.

NOTE 9 – RISK MANAGEMENT

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Board has obtained insurance coverage through a commercial insurance company. In addition, the Board has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The Board purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss.

Management estimates that the amount of actual or potential claims against the Board as of June 30, 2015 will not materially affect the financial condition of the Board. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage amounts in any of the past three fiscal years.

NOTE 10 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching	\$ 63,197
Operating	Capital Outlay	Debt Service	Bond payments	101,681
Operating	Building	Debt Service	Bond payments	658,451
Operating	Building	Construction	SFCC escrow	93,292
Operating	Construction	Construction	New project	115,483
				<u>\$ 1,032,104</u>

NOTE 12 – ON-BEHALF PAYMENTS

For the year ended June 30, 2015, payments of \$3,312,303 were made by the Commonwealth of Kentucky on behalf of the Board for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Insurance	\$ 969,531
Retirement	823,640
Technology	49,676
Debt service	<u>100,086</u>
Recorded as on-behalf payments	<u>1,942,933</u>
Debt service	<u>316,810</u>
Recorded as deferred revenue	<u>316,810</u>
Total received from Commonwealth of Kentucky	<u>\$ 2,259,743</u>

The \$316,810 payment is for future bond payments and is included as deferred revenue in the debt service fund.

NOTE 13 – SUBSEQUENT EVENTS

The Board evaluated subsequent events through October 2, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure within the financial statements.

Beechwood Independent Board of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,915,000	\$ 3,925,000	\$ 4,279,461	\$ 354,461
Motor vehicle	250,000	250,000	286,879	36,879
Utilities	350,000	350,000	392,542	42,542
Tuition and fees	421,000	421,000	435,136	14,136
Earnings on investments	5,000	5,000	18,712	13,712
Other local revenue	38,300	40,300	68,439	28,139
Intergovernmental - State	3,480,665	3,639,656	3,650,647	10,991
Intergovernmental - State on behalf	1,512,600	1,629,080	1,823,027	193,947
Total revenues	<u>9,972,565</u>	<u>10,260,036</u>	<u>10,954,843</u>	<u>694,807</u>
Expenditures:				
Instruction	6,293,765	6,567,060	6,333,535	233,525
Support services:				
Student	507,246	507,246	569,900	(62,654)
Instruction staff	435,187	435,187	503,208	(68,021)
District administrative	424,791	424,791	476,007	(51,216)
School administrative	642,486	642,486	727,250	(84,764)
Business support	572,136	572,136	601,748	(29,612)
Plant operation and maintenance	1,270,742	1,251,802	1,197,388	54,414
Student transportation	92,268	129,272	102,067	27,205
Other (contingency)	995,944	1,343,056	0	1,343,056
Total expenditures	<u>11,234,565</u>	<u>11,873,036</u>	<u>10,511,103</u>	<u>1,361,933</u>
Excess of Revenues Over (Under) Expenditures	(1,262,000)	(1,613,000)	443,740	2,056,740
Other financing sources (uses):				
Transfer in	0	0	0	0
Transfers out	(3,000)	(82,000)	(63,197)	18,803
Total other financing sources (uses)	<u>(3,000)</u>	<u>(82,000)</u>	<u>(63,197)</u>	<u>18,803</u>
Net change in fund balances	(1,265,000)	(1,695,000)	380,543	2,075,543
Budgetary fund balance - beginning of year	1,265,000	1,695,000	1,924,267	659,267
Budgetary fund balance - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,304,810</u>	<u>\$ 2,734,810</u>

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

Beechwood Independent Board of Education
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue	Capital Outlay	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 423,557	\$ 90,042	\$ 513,599
Receivables:			
Taxes	0	0	0
Accounts	78,503	0	78,503
Intergovernmental - federal	0	0	0
Prepaid expenses	0	0	0
Total assets	<u>\$ 502,060</u>	<u>\$ 90,042</u>	<u>\$ 592,102</u>
Liabilities:			
Accounts payable	\$ 18,768	\$ 0	\$ 18,768
Unearned revenue	29,930	0	29,930
Total liabilities	<u>48,698</u>	<u>0</u>	<u>48,698</u>
Fund balances:			
Nonspendable	0	0	0
Restricted	0	90,042	90,042
Committed	0	0	0
Assigned	453,362	0	453,362
Unassigned	0	0	0
Total fund balances	<u>453,362</u>	<u>90,042</u>	<u>543,404</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 502,060</u>	<u>\$ 90,042</u>	<u>\$ 592,102</u>

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

Beechwood Independent Board of Education
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue	Capital Outlay	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes:			
Property	\$ 0	\$ 0	\$ 0
Motor vehicle	0	0	0
Utilities	0	0	0
Tuition and fees	0	0	0
Earnings on investments	39	0	39
Other local revenue	140,896	0	140,896
Intergovernmental - State	302,060	120,896	422,956
Intergovernmental - State on behalf	0	0	0
Intergovernmental - Indirect federal	375,090	0	375,090
	<u>818,085</u>	<u>120,896</u>	<u>938,981</u>
Total revenues			
Expenditures:			
Instruction	794,830	0	794,830
Support services:			
Student	57	0	57
Instruction staff	11,899	0	11,899
District administrative	1,250	0	1,250
School administrative	0	0	0
Plant operation and maintenance	0	0	0
Student transportation	0	0	0
Debt service:			
Principal	0	0	0
Interest	0	0	0
Capital outlay	0	0	0
	<u>808,036</u>	<u>0</u>	<u>808,036</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>10,049</u>	<u>120,896</u>	<u>130,945</u>
Other financing sources (uses):			
Bond proceeds	0	0	0
Transfers in	63,197	0	63,197
Transfers out	0	(101,681)	(101,681)
	<u>63,197</u>	<u>(101,681)</u>	<u>(38,484)</u>
Total other financing sources (uses)			
Net change in fund balances	73,246	19,215	92,461
Fund balances - beginning of year	<u>380,116</u>	<u>70,827</u>	<u>450,943</u>
Fund balances - end of year	<u>\$ 453,362</u>	<u>\$ 90,042</u>	<u>\$ 543,404</u>

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

Beechwood Independent Board of Education
Schedule of District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
Year Ended June 30, 2014

Board's proportion of the net pension liability	0.04%
Board's proportionate share of the net pension liability	\$ 1,330,000
Board's covered employee payroll	\$ 940,127
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.47%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Beechwood Independent Board of Education
Schedule of District Contributions
County Employees Retirement System
Year Ended June 30, 2014

Contractually required contribution	\$ 177,590
Contributions in relation to the contractually required contribution	<u>(177,590)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Board's covered employee payroll	\$ 940,127
Contributions as a percentage of covered-employee payroll	18.89%

Beechwood Independent Board of Education
Notes to Required Supplementary Information
County Employees Retirement System
Year Ended June 30, 2014

Changes of benefit terms - There have been no changes in benefit terms during the period covered by the required supplementary information (2014).

Changes of assumptions - There have been no changes of assumptions during the period covered by the required supplementary information (2014).

Period covered by the required supplementary information - GASB Statement No. 68, Accounting and Financial Reporting for Pension, an Amendment of GASB Statement No. 27 requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The Board has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

Beechwood Independent Board of Education
Schedule of Commonwealth of Kentucky's Proportionate Share of the
Net Pension Liability - Kentucky Teachers Retirement System
Year Ended June 30, 2014

Commonwealth of Kentucky's proportion	
of the net pension liability	0.17%
Commonwealth of Kentucky's proportionate share of the net pension liability	
of the net pension liability	\$ 34,591,247
Plan fiduciary net position as a percentage of the	
total pension liability	45.59%

Beechwood Independent Board of Education
Schedule of Commonwealth of Kentucky's Contributions
County Employees Retirement System
Year Ended June 30, 2014

Statutorily required contribution	\$ 175,196
Contributions in relation to the statutorily required contribution	<u>175,196</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>

Beechwood Independent Board of Education
Notes to Required Supplementary Information
Kentucky Teachers Retirement System
Year Ended June 30, 2014

Changes of benefit terms - There have been no changes in benefit terms during the period covered by the required supplementary information (2014).

Changes of assumptions - There have been no changes of assumptions during the period covered by the required supplementary information (2014).

Period covered by the required supplementary information - GASB Statement No. 68, Accounting requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The Board has only been provided this information for one fiscal year and will expand this supplementary information in future financial statements to cover additional periods as they become available.

Beechwood Independent Board of Education
 Activity Fund
 Statement of Receipts, Disbursements and Fund Balances
 Year Ended 6/30/2015

Fund Accounts	Cash Balances			Cash Balances June 30, 2015	Accounts	Accounts	Fund Balances June 30, 2015
	June 30, 2014	Receipts	Disbursements		Receivable June 30, 2015	Payable June 30, 2015	
Interest - undistributed	\$ 463	\$ 398	\$ 826	\$ 35			\$ 35
Yearbook account	21,146	17,152	19,513	18,785			18,785
Science club	39	0	0	39			39
OM	2,554	25,412	27,109	856			856
Summer camps	9		9	0			0
Little siblings	967	0	0	967			967
Honor choir	39	940	811	168			168
National Honor Society	3,309	8,665	9,782	2,192			2,192
National Junior Honor Society	905	4,264	4,295	874			874
High school play	4,738	12,133	8,292	8,580			8,580
Special theater account	7,063	10,574	5,463	12,174			12,174
Student council	8,400	7,701	5,539	10,562			10,562
Elementary fundraisers A-M	19,342	37,137	33,654	22,825			22,825
Athletic fundraisers	46,167	86,377	82,533	50,011			50,011
High school fundraisers A-J	3,215	41,199	40,888	3,526			3,526
Athletic account	47,103	110,657	98,057	59,703	5,470	(8,629)	56,544
Scholarships	1	2,069		2,070			2,070
Edgar McNabb Scholarship	2,480	0	400	2,080			2,080
High school clubs	9,534	15,701	18,253	6,982			6,982
Class of 2016	0	7,930	5,805	2,125			2,125
Class of 2015	1,374	7,507	3,353	5,529			5,529
Class of 2014	4,625	0	4,625	0			0
Elementary grades account	4,003	9,985	8,687	5,300			5,300
Bus fees - field trips	0	11,616	11,616	0			0
Junior class trip	584	50	(96)	730			730
HS student recognition	5,580	0	916	4,664			4,664
HS field trips & misc studies	17,684	11,377	11,699	17,362			17,362
Junior Achievement	219	0	0	219			219
NKOA	200	0	200	0			0
College boot camp	1,866	7,100	5,680	3,286			3,286
Parking passes	653	590	1,243	0			0
Student fees	8,559	182,952	179,168	12,343			12,343
Subtotal	222,822	619,485	588,321	253,985	5,470	(8,629)	250,826
Interfund transfers	0	32,078	32,078	0	0	0	0
Total	<u>\$ 222,822</u>	<u>\$ 651,562</u>	<u>\$ 620,399</u>	<u>\$ 253,985</u>	<u>\$ 5,470</u>	<u>\$ (8,629)</u>	<u>\$ 250,826</u>

**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, KY

Kentucky State Committee for School Board Audits
Frankfort, KY

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 the Beechwood Independent Board of Education (Board) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 2, 2015 .

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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. See findings 2015-01 to 2015-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board'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

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board'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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 2, 2015

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
CURRENT YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015

2015-01

The “Redbook” requires teachers, sponsors, and students to use Form F-SA-6 Multiple Receipt Form when collecting money. The form is to be used to log all receipts and is signed by the student and teacher/sponsor.

Our testing noted several instances where:

- The form not being used or only partially completed
- The student did not sign the form
- The teacher/sponsor did not sign the form

Board response – In July 2015 Beechwood held a Redbook training for administrators, coaches and sponsors. In August 2015, teachers were trained on Redbook procedures for the start of the new school year. The school activity treasurer has been instructed to require the Multiple Receipt form with all deposits.

2015-02

The “Redbook” requires Form F-SA-1, The Requisition and Report of Ticket Sales, be used to report and reconcile the number of tickets sold and funds collected.

Our testing noted instances of the form not being used.

Board response – All employees were trained on Redbook procedures in July and/or August of 2015. The activities treasurer has been reminded to obtain the form with all tickets sales.

2015-03

Board policy 04.31 requires all purchases to have the Superintendent’s prior approval. There were several instances during the school year where the invoice date preceded the purchase order and requisition date. In addition, there is no evidence that bidding and small purchase procedures were followed. Most instances were isolated to the maintenance area.

Board response – The Superintendent has met with the maintenance director. As a result of that meeting, any purchases needed for maintenance are to be requested by maintenance, approved by the Superintendent and ordered through the Board Office. The maintenance department will no longer handle any purchasing.

BEECHWOOD INDEPENDENT BOARD OF EDUCATION
SUMMARY OF PRIOR YEAR FINDINGS
JUNE 30, 2015

2014-1

Finding – Lunch program deposit tickets only had the initials of one counter

Management update – Lunch deposit tickets are now counted and initialed by two people.

2014-2

Finding – Lunch program daily cash over/shorts were not properly accounted for

Management update- Daily lunch program over/shorts are now being properly documented and accounted for.

2014-3

Finding – The daily receipts documentation package did not include the End of Day Cashier Report

Management update – The End of Day Cashier Report is now included with the daily receipts documentation.

2014-4

Finding- The activity fund treasurer did not always complete Form F-SA-1

Management update- The activity fund treasurer has been trained on the Redbook including completion of Form F-SA-1.

2014-5

Finding – The 2013-14 Prom did not use Form F-SA-1

Management update- The High School Principal has reminded all employees of the importance of following Redbook procedures.

2014-6

Finding- Unpaid school fees were significantly higher than prior years

Management update- The High School followed up with all outstanding fees and significantly reduced the amount outstanding.

2014-7

Finding-During a testing of disbursements, several isolated instances of oversights were noted.

Management update- The Activity Funds treasurer has been trained on Redbook and instructed by the High School Principal to make sure all procedures are followed.

2014-8

Finding-During a testing of receipts, several isolated instances of oversights were noted.

Management update- The Activity Funds treasurer has been trained on Redbook and instructed by the High School Principal to make sure all procedures are followed.

2014-9

Finding – Form F-SA-1 shortages were higher than expected.

Management update- The Activity funds treasurer and the Athletic Director have been instructed to follow up on an significant shortages in ticket sales.