

**Berea Independent School District
Berea, Kentucky**

**Audited Financial Statements
and Required Supplementary Information**

June 30, 2015

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SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee of School District Audits
Members of the Board of Education
Berea Independent School District
Berea, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent School District (the District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District'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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent School District as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to 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 information on pages 4 through 8 and the Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Contributions on pages 45-46 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 Berea Independent School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2015, on our consideration of Berea Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 7, 2015

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Berea Independent School 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 financial statements and notes.

FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS

- The General Fund had \$9,253,556 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$9,228,633 in General Fund expenditures with an ending fund balance of \$2,791,254.
- District-wide governmental revenue totaled \$13,282,492 with expenditures of \$12,943,023 an ending fund balance of \$4,070,812.
- Items we included in the working budget for 2014-15 are purchasing one new school bus. No major construction projects but we will be revisiting our District Facility Plan for 2015-2018.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s debt expenditure for 2014-15 fiscal year totaled \$351,894.

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.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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 District, assets exceeded liabilities by \$4,476,979 as of June 30, 2015 as compared to \$5,902,462 in the prior year.

The largest portion of the District’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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the periods ending June 30, 2015 and 2014

The breakdown of assets, deferred outflows of resources, liabilities, and net position can be seen on page 9 in the statement of net position.

Net position for the periods ending June 30, 2015 and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Current Assets	\$3,823,302	\$3,733,278	\$90,024
Noncurrent Assets	13,686,052	13,960,231	(274,179)
Total Assets	17,509,354	17,693,509	(184,155)
Deferred Outflows of Resources	295,187	62,074	233,113
Current Liabilities	976,624	764,681	211,943
Noncurrent Liabilities	12,124,279	11,035,052	1,089,227
Total Liabilities	13,100,903	11,799,733	1,301,170
Deferred Inflows of Resources	226,659	53,388	173,271
Net Position			
Investment in capital assets (net)	2,982,373	2,588,488	393,885
Capital Expenditures/Debt Service	465,336	256,487	208,849
Unrestricted	1,029,270	3,057,487	(2,028,217)
Total Net Position	\$4,476,979	\$5,902,462	(1,425,483)

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Comments on Budget Comparisons

- General Fund budget compared to actual revenue varied from line item to line item with the ending actual revenue being \$347,113 more than budgeted.
- The total cost of all governmental programs and services was \$12,943,023.
- General Fund budget expenditures to actual expenditures varied from line item to line item ending with actual expenditures less than budgeted by \$2,347,628.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Local revenue sources	\$3,772,106	\$2,555,010	\$134,313	\$158,710	\$3,906,419	\$2,713,720
State revenue sources	8,160,637	8,041,406	54,959	63,287	8,215,596	8,104,693
Federal revenue sources	1,331,155	1,432,043	471,606	490,013	1,802,761	1,922,056
Investments	18,594	20,269	1,583	1,408	20,177	21,677
Total Revenue	13,282,492	12,048,728	662,461	713,418	13,944,953	12,762,146
Expenses:						
Instruction	8,232,961	7,143,670	0	0	8,232,961	7,143,670
Student support services	490,940	401,747	0	0	490,940	401,747
Instructional support	796,986	625,158	0	0	796,986	625,158
District administration	652,366	639,345	0	0	652,366	639,345
School administration	577,602	483,184	0	0	577,602	483,184
Business support	264,725	246,950	0	0	264,725	246,950
Plant operations	1,240,119	979,899	0	0	1,240,119	979,899
Student transportation	255,803	255,861	0	0	255,803	255,861
Community service	79,627	76,821	0	0	79,627	76,821
Facility acquisition	0	1,043,213	0	0	0	1,043,213
Interest on long-term debt	351,894	1,156,086	0	0	351,894	1,156,086
Food service	0	1,114	654,835	660,612	654,835	661,726
Total Expenses	12,943,023	13,053,048	654,835	660,612	13,597,858	13,713,660
Change in net position	339,469	(1,004,320)	7,626	52,806	347,095	(951,514)
Beginning net position	3,731,343	5,102,973	398,541	384,201	4,129,884	5,487,174
Ending net position	\$4,070,812	\$4,098,653	\$406,167	\$437,007	\$4,476,979	\$4,535,660

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Governmental Activities

Instruction comprises 62% of governmental program expenses. Plant Operations expense makes up 9% of government expenses. District and School Administration total 9% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 20% of total governmental expense.

Business-Type Activities

The business-type activities include the food service operations. This program had total revenues of \$662,461 and expenses of \$731,765 for the fiscal year. Of the revenues, \$134,313 was charges for services, and \$528,148 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

Debt

At June 30, 2015, the School District had \$10,635,000 in debt outstanding; of this amount \$2,495,141 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$635,000 is due within one year.

Capital Assets

The Board added \$132,860 in new assets during the year, primarily for renovations and improvements.

FUTURE BUDGETARY IMPLICATIONS

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 District adopted a working budget with \$1,009,651.70 in contingency (approximately 8%). Significant Board action that impacts the finances includes a pay raise for all employees at the beginning of the fiscal year. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Questions regarding this report should be directed to Mike Hogg, Superintendent (859) 986-8446, or to Deborah T. Holbrook, Finance Officer (859) 986-8446 or by mail at #3 Pirate Parkway, Berea, Kentucky 40403.

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 3,168,261	\$ 311,358	\$ 3,479,619
Accounts receivable			
Taxes	73,062	-	73,062
Accounts	986	4,934	5,920
Intergovernmental - federal	251,019	-	251,019
Inventory	-	13,682	13,682
Total Current Assets	<u>3,493,328</u>	<u>329,974</u>	<u>3,823,302</u>
Noncurrent Assets			
Non-depreciated capital assets	11,000	-	11,000
Net depreciated capital assets	13,554,019	121,033	13,675,052
Total Noncurrent Assets	<u>13,565,019</u>	<u>121,033</u>	<u>13,686,052</u>
TOTAL ASSETS	\$ <u>17,058,347</u>	\$ <u>451,007</u>	\$ <u>17,509,354</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	41,383	-	41,383
Contributions subsequent to measurement date	248,296	5,508	253,804
Total deferred outflows of resources	<u>289,679</u>	<u>5,508</u>	<u>295,187</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 34,294	\$ 1,366	\$ 35,660
Accrued Payroll	124,855	-	124,855
Accrued Interest Expense	68,679	-	68,679
Current portion of accrued sick leave	34,839	-	34,839
Unearned revenue	77,591	-	77,591
Current portion of bond obligations	635,000	-	635,000
Total Current Liabilities	<u>975,258</u>	<u>1,366</u>	<u>976,624</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	10,000,000	-	10,000,000
Noncurrent portion of accrued sick leave	93,728	-	93,728
Unfunded pension liability	1,986,488	44,063	2,030,551
Total Noncurrent Liabilities	<u>12,080,216</u>	<u>44,063</u>	<u>12,124,279</u>
TOTAL LIABILITIES	<u>13,055,474</u>	<u>45,429</u>	<u>13,100,903</u>
DEFERRED INFLOWS OF RESOURCES:			
Net difference between projected and actual earnings on pension plan investments	221,740	4,919	226,659
Total deferred inflow of resources	<u>\$ 221,740</u>	<u>\$ 4,919</u>	<u>\$ 226,659</u>
NET POSITION			
Invested in capital assets, net of related debt	2,861,340	121,033	2,982,373
Restricted - Capital Projects	465,336	-	465,336
Restricted - Other Purposes	-	285,134	285,134
Unrestricted	744,136	-	744,136
TOTAL NET POSITION	\$ <u>4,070,812</u>	\$ <u>406,167</u>	\$ <u>4,476,979</u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 8,232,961	\$ 6,660	\$ 4,527,830	\$ -	\$ (3,698,471)	\$ -	\$ (3,698,471)
Support Services:							
Student	490,940	-	87,137	-	(403,803)	-	(403,803)
Instructional staff	796,986	-	62,248	-	(734,738)	-	(734,738)
District administration	652,366	-	55,234	-	(597,132)	-	(597,132)
School administration	577,602	-	109,591	-	(468,011)	-	(468,011)
Business	264,725	-	41,839	-	(222,886)	-	(222,886)
Plant operations and maintenance	1,240,119	-	94,589	-	(1,145,530)	-	(1,145,530)
Student transportation	255,803	-	36,482	-	(219,321)	-	(219,321)
Non-Instructional	79,627	-	-	-	(79,627)	-	(79,627)
Interest on long-term debt	351,894	-	-	251,885	(100,009)	-	(100,009)
Total Governmental Activities	12,943,023	6,660	5,014,950	251,885	(7,669,528)	-	(7,669,528)
Business-Type Activities:							
Lunchroom sales	654,835	134,313	526,565	-	-	6,043	6,043
Total Primary Government	\$ 13,597,858	\$ 140,973	\$ 5,541,515	\$ 251,885	\$ (7,669,528)	\$ 6,043	\$ (7,663,485)
			General Revenues:				
				\$ 1,796,969	\$ -	\$ 1,796,969	
				197,325	-	197,325	
				497,883	-	497,883	
				5,267,916	-	5,267,916	
				18,594	1,583	20,177	
				230,310	-	230,310	
				8,008,997	1,583	8,010,580	
				339,469	7,626	347,095	
				5,465,456	437,006	5,902,462	
				(1,734,113)	(38,465)	(1,772,578)	
				3,731,343	398,541	4,129,884	
				\$ 4,070,812	\$ 406,167	\$ 4,476,979	

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 2,683,080	\$ -	\$ 485,182	\$ 3,168,262
Accounts receivable				
Taxes	73,062	-	-	73,062
Other	986	-	-	986
Intergovernmental - federal	-	251,019	-	251,019
Due from other funds	189,108	-	-	189,108
TOTAL ASSETS	\$ 2,946,236	\$ 251,019	\$ 485,182	\$ 3,682,437
LIABILITIES:				
Accounts payable	\$ 30,060	\$ 4,101	\$ 65	\$ 34,226
Payroll Taxes Payable	79,378	-	-	79,378
Accrued Salaries and Benefits	45,544	-	-	45,544
Due to other funds	-	169,327	19,781	189,108
Unearned revenue	-	77,591	-	77,591
TOTAL LIABILITIES	154,982	251,019	19,846	425,847
FUND BALANCES:				
Restricted				
Debt service	-	-	-	-
Capital projects	-	-	465,336	465,336
Assigned	33,131	-	-	33,131
Unassigned	2,758,123	-	-	2,758,123
TOTAL FUND BALANCES	2,791,254	-	465,336	3,256,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,946,236	\$ 251,019	\$ 485,182	\$ 3,682,437

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Governmental Fund Balances	\$	3,256,590
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		13,565,019
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position		
Deferred loss on refunding		41,383
Pension contributions subsequent to measurement date		248,296
Unfunded pension liability		(1,986,488)
Pension plan investment differences		(221,740)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:		
Bonds payable		(10,635,000)
Accrued interest		(68,679)
Accrued sick leave		(128,569)
Net Position of Governmental Activities	\$	<u>4,070,812</u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 1,553,969	\$ -	\$ 243,000	\$ 1,796,969
Motor vehicle	197,325	-	-	197,325
Utilities	497,883	-	-	497,883
Earnings on investments	17,293	17	1,284	18,594
Other local revenues	31,773	18,950	186,248	236,971
Intergovernmental - state	6,920,799	364,850	874,988	8,160,637
Intergovernmental - federal	34,514	1,296,641	-	1,331,155
TOTAL REVENUES	9,253,556	1,680,458	1,305,520	12,239,534
EXPENDITURES:				
Current:				
Instruction:	5,764,763	1,308,288	83,120	7,156,171
Support Services:				
Student	412,087	-	-	412,087
Instructional staff	403,857	311,972	14,284	730,113
District administration	566,228	-	-	566,228
School administration	493,962	-	-	493,962
Business	235,768	-	-	235,768
Plant operations and maintenance	1,006,936	-	-	1,006,936
Student transportation	343,590	6,695	-	350,285
Food Service	1,442	-	-	1,442
Community Service	-	77,868	-	77,868
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	999,267	999,267
TOTAL EXPENDITURES	9,228,633	1,704,823	1,096,671	12,030,127
Excess (Deficit) of Revenues over Expenditures	24,923	(24,365)	208,849	209,407
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	24,365	967,069	991,434
Operating transfers out	(24,365)	-	(967,069)	(991,434)
TOTAL OTHER FINANCING SOURCES (USES)	(24,365)	24,365	-	-
Net Change in Fund Balance	558	-	208,849	209,407
Fund Balance beginning of year	2,790,696	-	256,487	3,047,183
Fund Balance end of year	\$ 2,791,254	\$ -	\$ 465,336	\$ 3,256,590

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
 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	\$ 209,407
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>	
Capital outlays	132,860
Depreciation expense	(409,670)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Accrued interest	53,064
Sick leave	(112,626)
Pension expense	(225,819)
<p>Amortization of bond discounts are reported in the statement of activities but do not require current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	(20,691)
<p>Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>	
Debt principal repaid	<u>615,000</u>
Change in Net Position of Governmental Activities	<u>\$ 241,525</u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL GENERAL FUND (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,523,053	\$ 1,495,048	\$ 1,553,969	\$ 58,921
Motor vehicle	190,000	175,000	197,325	22,325
Utilities	480,000	450,000	497,883	47,883
Earnings on investments	10,000	10,000	17,293	7,293
Other local revenues	17,000	9,000	31,773	22,773
Intergovernmental - state	6,578,347	6,752,395	6,920,799	168,404
Intergovernmental - indirect federal	15,000	15,000	34,514	19,514
TOTAL REVENUES	<u>8,813,400</u>	<u>8,906,443</u>	<u>9,253,556</u>	<u>347,113</u>
EXPENDITURES:				
Current:				
Instruction:	6,012,949	6,169,414	5,764,763	404,651
Support Services:				
Student	453,425	452,425	412,087	40,338
Instructional staff	379,866	379,866	403,857	(23,991)
District administration	1,957,199	1,981,240	566,228	1,415,012
School administration	636,574	636,574	493,962	142,612
Business	230,539	244,017	235,768	8,249
Plant operations and maintenance	1,243,275	1,175,500	1,006,936	168,564
Student transportation	530,976	529,476	343,590	185,886
Food Service	5,749	5,749	1,442	4,307
Debt service	2,000	2,000	-	2,000
Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>11,452,552</u>	<u>11,576,261</u>	<u>9,228,633</u>	<u>2,347,628</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,639,152)</u>	<u>(2,669,818)</u>	<u>24,923</u>	<u>2,694,741</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(10,848)	(10,848)	(24,365)	(13,517)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,848)</u>	<u>(10,848)</u>	<u>(24,365)</u>	<u>(13,517)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(2,650,000)	(2,680,666)	558	2,681,224
Fund Balance beginning	<u>2,650,000</u>	<u>2,680,666</u>	<u>2,790,696</u>	<u>110,030</u>
Fund Balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,791,254</u>	<u>\$ 2,791,254</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL SPECIAL REVENUE FUND (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Earnings from Investments	\$ -	\$ -	\$ 17	\$ 17
Other local revenues	8,225	20,674	18,950	(1,724)
Intergovernmental - state	340,524	389,117	364,850	(24,267)
Intergovernmental - indirect federal	1,000,924	1,072,282	1,296,641	224,359
TOTAL REVENUES	<u>1,349,673</u>	<u>1,482,073</u>	<u>1,680,458</u>	<u>198,385</u>
EXPENDITURES:				
Current:				
Instruction:	958,925	1,098,761	1,308,288	(209,527)
Support Services:				
Student	-	-	-	-
Instructional staff	316,787	322,651	311,972	10,679
Student Transportation	8,272	7,158	6,695	463
Community Services	76,537	77,868	77,868	-
Non-Instructional	-	-	-	-
TOTAL EXPENDITURES	<u>1,360,521</u>	<u>1,506,438</u>	<u>1,704,823</u>	<u>(198,385)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(10,848)</u>	<u>(24,365)</u>	<u>(24,365)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,848	24,365	24,365	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,848</u>	<u>24,365</u>	<u>24,365</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance beginning	-	-	-	-
Fund Balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	<u>FOOD SERVICE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 311,358
Accounts receivable	4,934
Inventory	<u>13,682</u>
Total Current Assets	329,974
Noncurrent Assets	
Machinery & equipment	242,395
Accumulated depreciation	<u>(121,362)</u>
Total Noncurrent Assets	121,033
TOTAL ASSETS	<u><u>451,007</u></u>
DEFERRED OUTFLOW OF RESOURCES	
Contributions subsequent to measurement date	<u>5,508</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,508</u>
LIABILITIES:	
Current Liabilities	
Accounts payable	<u>1,366</u>
Noncurrent Liabilities	
Unfunded Pension	<u>44,063</u>
TOTAL LIABILITIES	<u><u>45,429</u></u>
DEFERRED INFLOW OF RESOURCES	
Net difference between projected and actual earnings on pension plan investments	<u>4,919</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,919</u>
NET POSITION:	
Invested in capital assets, net of related debt	121,033
Restricted	<u>285,134</u>
TOTAL NET POSITION	<u><u>\$ 406,167</u></u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	FOOD SERVICE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 134,313
Other operating revenues	-
TOTAL OPERATING REVENUES	134,313
OPERATING EXPENSES:	
Salaries and wages	259,524
Contract services	13,477
Materials and supplies	363,753
Miscellaneous	1,050
Depreciation	17,031
TOTAL OPERATING EXPENSES	654,835
Operating Income (Loss)	(520,522)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	438,972
Federal commodities	32,634
State grants	54,959
Interest income	1,583
NON-OPERATING REVENUES (EXPENSES)	528,148
Change in Net Position	7,626
Total Net Position beginning	437,006
Effect of adoption of GASB 86	(38,465)
Total Net Position beginning restated	398,541
Total Net Position ending	\$ 406,167

BEREA INDEPENDENT SCHOOL DISTRICT
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 customers	\$ 134,313
Cash paid to suppliers	(346,493)
Cash paid to employees	<u>(206,080)</u>
Net Cash Provided (Used) by Operating Activities	<u>(418,260)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Governmental grants	<u>452,166</u>
Net Cash Provided (Used) by Noncapital Financing Activities	452,166
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(19,664)</u>
Net Cash Provided (Used) by Financing Activities	(19,664)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,583</u>
Net Cash Provided (Used) by Investing Activities	<u>1,583</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,825
Cash and cash equivalents beginning	<u>295,533</u>
Cash and cash equivalents ending	<u><u>\$ 311,358</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (520,522)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:	
Depreciation	17,031
On-behalf payments	48,434
Donated commodities	32,634
Changes in Assets and Liabilities:	
Inventory	(1,700)
Accounts payable	853
Unfunded pension liability	<u>5,010</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (418,260)</u></u>
Non-cash Items:	
On-behalf payments	\$ 48,434
Donated commodities	\$ 32,634

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	Family Resource Fund	Regional Training Center FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 22,216	\$ 81,069	\$ 66,320
Accounts receivable	-	-	-
TOTAL ASSETS	\$ 22,216	\$ 81,069	\$ 66,320
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ 1,393
Due to student groups	-	-	64,927
Custodial	-	81,069	-
TOTAL LIABILITIES	\$ -	\$ 81,069	\$ 66,320
Net Position Held in Trust	\$ 22,216	\$ -	\$ -

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Family Resource Fund</u>
ADDITIONS	
Contributions	\$ 6,333
 DEDUCTIONS	
Community Services	<u>7,909</u>
Change in Net Position	(1,576)
Total net position - beginning of year	<u>23,792</u>
Total net position - end of year	<u><u>\$ 22,216</u></u>

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – REPORTING ENTITY

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

The District, for financial purposes, includes all the funds and account groups relevant to the operations of the Berea Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself, such as Boosters Club, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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:

Blended Component Unit

Berea Independent School District Finance Corporation - In a prior year, the Board of Education resolved to authorize the establishment of the Berea Independent School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Berea Independent School District also comprise the corporation's Board of Directors.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

BASIS OF PRESENTATION

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 activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financials statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements of governmental funds.

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

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

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

The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

The District has the following funds:

I. Governmental Fund Types

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

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The Special Revenue Fund is a major fund.

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non major fund of the District.
- 2) The Facility Support Program of Kentucky accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non major fund of the District.
- 3) The Construction Fund accounts for funds from two sources. First funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. There was no activity in this fund during the year. This is a non major fund of the District.
- 4) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a non major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

(A) The 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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

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.

III. Fiduciary Fund Type (Agency and Trust Funds)

The Agency Fund accounts for activities of student groups and Regional Training Center activities requiring clearing accounts. The student group funds are accounted for in accordance with the *Uniform program of Accounting for School Activity Funds*. The Special Purpose Trust Fund, Family Resource funds accounts for funds donated to the District for special purposes.

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.

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principals (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 15 for these amounts which were not known by the District at the time the budget was adopted.

The District prepares its budget on the modified accrual basis of accounting which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end in accordance with state law.

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

Cash and Cash Equivalents

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

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities are assigned values based on information provided by the USDA.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property in the City. 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 tax bills paid prior to January 31st received a 2% discount. Property taxes received after February 28th are considered delinquent and subject to penalty. Accounts which are delinquent six months after March 31st are turned over to a

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

collection agency. 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 \$.8500 per \$100 valuation for real property, \$.8710 per \$100 valuation for business personal property and \$.591 per \$100 valuation for motor vehicles.

The District levies a 3% utility tax on all businesses and households within the City.

Prepaid Assets

Payments made that will benefit periods beyond June 30 each year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; but the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

Buildings and improvements	25-50	years
Land improvements	20	years
Technology equipment	5	years
Vehicles	5-10	years
Audio-visual equipment	15	years
Food service equipment	10-12	years
Furniture and fixtures	7	years
Other	10	years

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the 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 School District's past experience of making termination payments.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Accrued Liabilities and Long-Term Obligations

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

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Net Position

Net position represents the difference between assets and liabilities. Net position, invested in capital assets, net related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may include a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

Operating Revenues and Expenses

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

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction

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 reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions: an Amendment of GASB Statement No. 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement is effective for fiscal years beginning after June 15, 2014.

Subsequent Events

The District has evaluated subsequent events through November 7, 2015, the date of the audit report.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (cont'd)

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 3 - CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk for deposits is the risk that in the event of bank failure the District's deposits may not be returned to it. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by the pledging banks' trust departments in the District's name. At year end, the carrying amount of the District's cash and cash equivalents was \$3,377,303. The bank balance for the same time was a balance of \$3,975,458.

The carrying amounts are reflected in the financial statements as follows:

Governmental Funds	\$3,168,260
Proprietary Funds	311,358
Fiduciary Funds	<u>174,727</u>
Total	<u>\$3,654,345</u>

Due to the nature of the accounts and certain limitations imposed on the use of the funds, each bank account within the following funds is considered to be restricted: Special Revenue Fund, SEEK Capital Outlay Fund, FSPK Building Fund, Construction Fund, Food Service Fund and School Activity Funds.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$11,000	\$0	\$0	\$11,000
Construction in Progress	1,675,783	0	(1,675,783)	0
Total Capital Assests not being depreciated	1,686,783	0	(1,675,783)	11,000
Other Capital Assets				
Land Improvements	69,959	0	0	69,959
Buildings & Improvements	17,163,094	1,675,783	0	18,838,877
Technological Equipment	1,439,984	0	0	1,439,984
Vehicles	790,275	132,860	0	923,135
General Equipment	279,041	0	0	279,041
Total Other Assets	19,742,354	1,808,643	0	21,550,996
Less accumulated depreciation for:				
Land Improvements	(59,982)	(2,513)	0	(62,495)
Buildings & Improvements	(5,495,310)	(317,978)	0	(5,813,288)
Technological Equipment	(1,204,630)	(52,603)	0	(1,257,233)
Vehicles	(626,215)	(26,928)	0	(653,143)
General Equipment	(201,170)	(9,648)	0	(210,818)
Total accumulated depreciation	(7,587,307)	(409,670)	0	(7,996,977)
Other Capital Assets, net	12,155,047	1,398,972	0	13,554,019
Governmental Activities, net	13,841,831	1,398,972	(1,675,783)	13,565,019
Business Activities:				
Technological Equipment	6,813	0	0	6,813
General Equipment	215,918	19,664	0	235,582
Total	222,732	0	0	242,396
Less accumulated depreciation for:				
Technological Equipment	(5,603)	0	0	(5,603)
General Equipment	(98,728)	(17,031)	0	(115,759)
Total accumulated depreciation	(104,331)	(17,031)	0	(121,362)
Business Activities, net	\$118,401	(\$17,031)	\$0	\$121,034

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS (cont'd)

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:	
Instruction	\$144,683
Support Services:	
Student	0
Instructional Staff	841
District Administration	37,592
School Administration	476
Business Support	10,685
Plant Operations & Maintenance	188,147
Student Transportation	26,928
Non-instructional	318
Total depreciation expense, governmental activities	<u>\$409,670</u>

NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Berea Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District 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. The commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2015. Should approval not be received in future period, the District remains obligated for the full amount of the bond principal and interest payments. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

The original amount of each bond issue, the issue date, interest rates, maturity dates and outstanding balances are summarized below:

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2015
2004	\$1,395,000	1.90% - 3.70%	7/1/2016	\$320,000
2007	6,705,000	3.63% - 4.00%	12/1/2027	5,670,000
2008R	1,935,000	2.30% - 3.70%	11/1/2020	815,000
2008	1,775,000	3.25% - 4.40%	8/1/2028	1,505,000
2012	1,120,000	2.00%	5/1/2023	1,045,000
2013	1,400,000	0.08% - 3.00%	3/1/2033	1,280,000
	<u>\$14,330,000</u>			<u>\$10,635,000</u>

The bond may be called prior to maturity dates at redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amount to be paid by the Commission at June 30, 2015, for debt service, (principal and interest), are shown below:

Year	Berea Independent School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016	\$455,328	\$297,887	\$179,672	\$74,044	1,006,931
2017	472,074	282,102	\$182,926	\$69,616	1,006,718
2018	487,450	265,429	\$187,550	\$65,065	1,005,494
2019	502,533	248,695	\$177,467	\$60,324	989,019
2020-2024	2,790,153	988,998	789,847	222,211	4,791,209
2025-2029	3,390,675	418,683	664,325	108,115	4,581,798
2030-2034	41,646	3,151	313,354	23,849	382,000
	<u>\$8,139,859</u>	<u>\$2,504,945</u>	<u>\$2,495,141</u>	<u>\$623,224</u>	<u>\$13,763,169</u>

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2015:

	06/30/14 Beginning Balance	Additions	Reductions	06/30/15 Ending Balance	Amounts Due Within One Year
Bonds	\$11,250,000	\$0	\$615,000	\$10,635,000	\$635,000
Sick Leave	113,889	42,283	27,603	128,569	34,840
KSBIT Payable	45,601	0	45,601	0	0
Total	<u>\$11,409,490</u>	<u>\$14,680</u>	<u>\$660,601</u>	<u>\$10,763,569</u>	<u>\$669,840</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide for the minimum future rental payments as of June 30, 2015 as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$52,503
2017	52,503
2018	14,400
2019	14,400
	<u>\$133,806</u>

Rent expense for the year ended June 30, 2015 was \$52,503.

NOTE 7 - RETIREMENT PLAN

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/>.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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.

Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. These plans are administered by independent third party administrators.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$79,956. The District does not contribute to these plans.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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:

District's proportionate share of the net pension liability	\$2,030,551
Commonwealth's proportionate share of the net pension liability associated with the District	<u>33,493,686</u>
	<u>\$35,523,237</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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.

The District'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 .062587%.

For the year ended June 30, 2015, the District recognized pension expense of \$230,822 related to CERS and \$598,300 related to KTRS. The District also recognized revenue of \$598,300 for KTRS support provided by the Commonwealth. At June 30, 2015, the District 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	226,659
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
District contributions subsequent to the measurement date	253,804	0
Total	\$ 253,804	\$ 226,659

\$253,804 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:

Year ended June 30:	
2016	45,332
2017	45,332
2018	45,332
2019	45,332
2020	45,331
Total	226,659

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

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:

	CERS	KTRS
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:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

<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:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - RETIREMENT PLAN (cont'd)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	2,672,079	2,030,500	1,463,760
KTRS	4.23%	5.23%	6.23%
District'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 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% 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. At June 30, 2015, this amount totaled \$128,569. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain retrospectively rated policies, which include worker's compensation insurance.

NOTE 10 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - CONTINGENCIES (cont'd)

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund (Fund). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage for any reason by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro-rata basis.

The District 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 District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

NOTE 13 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Building Fund	Debt Service	Debt Service	\$747,382
Building Fund	Construction Fund	Construction	\$219,687
General Fund	Special Revenue	Technology	\$24,365

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 - ON-BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on-behalf of the District for medical insurance and related expenses, pension contributions and vocational education. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts as reported on the statement of activities and in the actual column on the budgetary comparison schedule. However, these amounts were not budgeted by the District. As a result, the actual expenditures for the General fund exceeded budgeted amounts, as presented on page 15. Contributions made on-behalf of the District for the year ended June 30, 2015 were:

Insurance and related expenses	\$1,054,185
Pension contributions	598,301
Technology	48,832
Bond retirement and interest	<u>251,885</u>
Total	<u>\$1,953,203</u>

NOTE 16 – LITIGATION

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

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,812,533 reduction in beginning net position on the Statement of Activities and an increase of \$253,804 of deferred outflows of resources – District contributions subsequent to the measurement date.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.062587%
District's proportionate share of the net pension liability	\$ 2,030,500
District's covered-employee payroll	\$ 1,422,100
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.78%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.1630%
District's proportionate share of the net pension liability	0
State's proportionate share of the net pension liability associated with the District	\$ 33,493,686
Total	\$ 33,493,686
District's covered-employee payroll	\$ 5,163,807
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 271,230
Contributions in relation to the contractually required contribution	271,230
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 1,422,100
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.07%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Contractually required contribution	\$ 203,109
Contributions in relation to the contractually required contribution	203,109
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 5,163,807
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.93%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of benefit terms - None

Changes of assumptions - None

**BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 175,831	\$ -	\$ 220,442	\$ -	\$ 88,909	\$ 485,182
TOTAL ASSETS	\$ 175,831	\$ -	\$ 220,442	\$ -	\$ 88,909	\$ 485,182
LIABILITIES:						
Due to other fund	-	19,781	-	-	-	19,781
Accounts Payable	-	-	-	-	65	65
TOTAL LIABILITIES	-	19,781	-	-	65	19,846
FUND BALANCES:						
Restricted	175,831	(19,781)	220,442	-	88,844	465,336
TOTAL FUND BALANCES	175,831	(19,781)	220,442	-	88,844	465,336
TOTAL LIABILITIES AND FUND BALANCES	\$ 175,831	\$ -	\$ 220,442	\$ -	\$ 88,909	\$ 485,182

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>CAPITAL OUTLAY</u>	<u>BUILDING FUND</u>	<u>CONSTRUCTION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>DISTRICT ACTIVITY FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES:						
From local sources:						
Taxes:						
Property	\$ -	\$ 243,000	\$ -	\$ -	\$ -	\$ 243,000
Earnings on investments	-	529	755	-	-	1,284
Other student activity income	-	-	-	-	186,248	186,248
Intergovernmental - State	101,521	521,582	-	251,885	-	874,988
TOTAL REVENUES	<u>101,521</u>	<u>765,111</u>	<u>755</u>	<u>251,885</u>	<u>186,248</u>	<u>1,305,520</u>
Expenditures:						
Instruction	-	-	-	-	83,120	83,120
Instructional Support	-	-	-	-	14,284	14,284
Facilities acquisition and construction	-	-	-	-	-	-
Debt Service	-	-	-	999,267	-	999,267
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,267</u>	<u>97,404</u>	<u>1,096,671</u>
Excess (Deficit) of Revenues over Expenditures	101,521	765,111	755	(747,382)	88,844	208,849
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	-	219,687	747,382	-	967,069
Operating transfers out	-	(967,069)	-	-	-	(967,069)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(967,069)</u>	<u>219,687</u>	<u>747,382</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of revenues and Other financing sources over expenditures and other financing uses	101,521	(201,958)	220,442	-	88,844	208,849
Fund balance beginning	\$ 74,310	\$ 182,177	\$ -	\$ -	\$ -	\$ 256,487
Fund balance ending	<u>\$ 175,831</u>	<u>\$ (19,781)</u>	<u>\$ 220,442</u>	<u>\$ -</u>	<u>\$ 88,844</u>	<u>\$ 465,336</u>

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 SCHOOL ACTIVITIES FUND
 For The Year Ended June 30, 2015**

	<u>Cash Balances June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balances June 30, 2015</u>	<u>Accounts Receivable June 30, 2015</u>	<u>Accounts Payable June 30, 2015</u>	<u>Deposits Held in Custody for Students June 30, 2015</u>
Berea Middle-High School	\$ 139,069	\$ 299,827	\$ 373,379	\$ 65,517	\$ -	\$ 1,393	\$ 64,124
Berea Elementary School	<u>16,028</u>	<u>32,114</u>	<u>47,339</u>	<u>803</u>	<u>-</u>	<u>-</u>	<u>803</u>
	<u>\$ 155,097</u>	<u>\$ 331,941</u>	<u>\$ 420,718</u>	<u>\$ 66,320</u>	<u>\$ -</u>	<u>\$ 1,393</u>	<u>\$ 64,927</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
BEREA MIDDLE-HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

ACCOUNTS:	Cash Balances			Cash Balances	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students
	June 30, 2014	Receipts	Disbursements				
General Athletics	29,281	7,750	37,031	-	-	-	-
Athletic Programs	5,150	19,022	24,172	-	-	-	-
Athletic Referees	-	-	-	-	-	-	-
Athletic Ticket Sales	-	25,205	25,205	-	-	-	-
HS Baseball	71	514	585	-	-	-	-
MS Baseball	1,999	185	285	1,919	-	-	1,919
HS Boys Basketball	2,874	30,311	29,386	3,799	-	-	3,799
MS BOYS BASKETBALL	4,061	3,159	3,486	3,734	-	-	3,734
HS GIRLS BASKETBALL	2,019	23,027	19,508	5,540	-	68	5,472
MS GIRLS BASKETBALL	1,823	2,580	2,209	2,194	-	-	2,194
HS CHEER - REGULAR	4,545	8,827	10,398	2,974	-	-	2,974
HS CHEER - DO NOT USE	-	-	-	-	-	-	-
MS CHEER	830	1,260	1,722	368	-	-	368
CROSS COUNTRY	6,344	5,820	6,666	5,298	-	-	5,298
DANCE TEAM	40	-	-	40	-	-	40
HS FOOTBALL	2,738	6,200	7,182	1,756	-	-	1,756
MS FOOTBALL	906	911	1,004	813	-	-	813
GOLF	371	1,921	381	1,911	-	-	1,911
HS BOYS SOCCER	2,554	4,009	4,535	2,028	-	75	1,953
MS BOYS SOCCER	348	335	285	398	-	-	398
HS GIRLS SOCCER	229	4,161	3,605	785	-	-	785
MS GIRLS SOCCER	56	1,414	640	830	-	-	830
HS SOFTBALL	4,187	1,525	1,305	4,407	-	-	4,407
MS SOFTBALL	184	2,217	1,333	1,068	-	-	1,068
SWIM TEAM	67	444	129	382	-	-	382
TENNIS	167	200	274	93	-	-	93
TRACK	-	180	180	-	-	-	-
VOLLEYBALL	2,858	4,427	4,635	2,650	-	-	2,650
HOLIDAY CLASSIC	9,587	-	9,587	-	-	-	-
ALL "A" TOURNAMENT	721	-	721	-	-	-	-
LETTERMAN JACKETS	-	5,517	5,517	-	-	-	-
MAJORETTES	-	-	-	-	-	-	-
ATHLETIC - CONKIN TV ADS	100	-	100	-	-	-	-
6TH GRADE	551	-	525	28	-	-	28
7TH GRADE	2,759	-	2,208	551	-	-	551
8TH GRADE	338	2,456	2,790	4	-	-	4
9TH GRADE (FRESHMAN)	41	382	-	423	-	-	423
10TH GRADE (SOPHOMORE)	742	103	841	4	-	-	4
11TH GRADE (JUNIOR)	1,363	3,320	4,026	655	-	-	655
12TH GRADE (SENIOR)	526	837	1,288	76	-	-	76
8TH GRADE DC TRIP	3,696	-	3,696	-	-	-	-
DESTINATION IMAGINATION-BAKER	27	585	585	27	-	-	27
ART DEPARTMENT	-	-	-	-	-	-	-
BAND	-	3,395	2,832	583	-	-	583
BUSINESS EDUCATION	500	-	500	-	-	-	-
HS CHORUS	48	120	48	120	-	-	120
DRAMA (PLAYS)	4,807	2,734	7,541	-	-	-	-
ENGINEERING	18	-	18	-	-	-	-
FOREIGN LANGUAGE DEPARTMENT	4	-	4	-	-	-	-
LANGUAGE ARTS DEPARTMENT	226	-	226	-	-	-	-
LIBRARY	151	1,401	1,552	-	-	-	-
MATH DEPARTMENT	163	-	163	-	-	-	-
MUSIC EDUCATION	7	-	7	-	-	-	-
NEWSPAPER-JOURNALISM	1,061	-	299	762	-	-	762
PE/HEALTH DEPARTMENT	219	-	219	-	-	-	-
SCIENCE DEPARTMENT	20	-	20	-	-	-	-
SOCIAL STUDIES DEPARTMENT	97	-	97	-	-	-	-
SPECIAL EDUCATION DEPARTMENT	579	-	579	-	-	-	-
TECHNOLOGY DEPARTMENT	69	76	87	58	-	-	58
MS CHORUS	254	-	254	-	-	-	-
DRAMA (TRIPS)(NEW YORK)	-	-	-	-	-	-	-
4-H CLUB	199	-	-	199	-	-	199
HS ACADEMIC TEAM	500	-	-	500	-	-	500
ART CLUB	90	-	-	90	-	-	90
HS BETA CLUB	105	3,891	3,789	207	-	-	207
FBLA	973	15,595	11,850	4,718	-	-	4,718
HS DRAMA CLUB	129	-	-	129	-	-	129
HS FCA	69	-	20	49	-	-	49

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BEREA MIDDLE-HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

ACCOUNTS:	Cash			Cash	Accounts	Accounts	Deposits
	Balances	Receipts	Disbursements				
	June 30,			June 30,	June 30,	June 30,	Custody
	2014			2015	2015	2015	Students
							June 30,
							2015
FUTURE EDUCATORS OF AMERICA	106	-	-	106	-	-	106
HS FUTURE PROBLEM SOLVING	498	-	-	498	-	-	498
HS MARKETING - SCHOOL STORE	1,580	4,882	5,478	984	-	-	1,580
HS MOCK TRIAL	-	-	-	-	-	-	-
HS MUSIC HONOR SOCIETY	60	-	-	60	-	-	60
MUSICAL THEATER	4,732	-	4,732	-	-	-	-
SENIOR TRIP ACCOUNT	2,117	10,213	12,330	-	-	-	-
NATIONAL HONOR SOCIETY	-	401	401	-	-	-	-
HS SEED CLUB	48	790	808	30	-	-	30
SPANISH CLUB	189	-	-	189	-	-	189
HS STUDENT COUNCIL	484	1,828	1,389	923	-	100	823
STLP	120	125	245	-	-	-	-
UNITE CLUB	115	-	70	45	-	-	45
MS ACADEMIC TEAM	50	114	-	164	-	-	164
JR. BETA CLUB	779	3,879	3,293	1,165	-	-	1,165
MS DRAMA	428	1,539	994	974	-	-	974
MS FCA	50	-	30	20	-	-	20
MS SCIENCE CLUB	438	-	-	438	-	-	438
MS SEED CLUB	-	-	-	-	-	-	-
MS STUDENT COUNCIL	727	312	101	938	-	-	938
MS YOUNG ENTREPRENEURS	-	-	-	-	-	-	-
KEY CLUB & BUILDERS CLUB	475	70	-	545	-	-	545
ACCOUNT CLOSED - FCCLA	-	-	-	-	-	-	-
MS FILM	141	87	-	228	-	-	228
HS FILM	-	-	-	-	-	-	-
HS BASS CLUB	244	-	-	244	-	-	244
MS PEP CLUB	200	18	-	218	-	-	218
HS PEP CLUB	360	8	-	368	-	-	368
ENVIRONMENTAL CLUB	55	-	-	55	-	-	55
STRATEGIC GAMES	172	48	-	220	-	-	220
LIGHTHOUSE TEAM	-	288	-	288	-	-	288
MS BOOK CLUB	10	-	-	10	-	-	10
MS ANIME CLUB	30	-	-	30	-	-	30
HS ANIME CLUB	28	23	-	51	-	-	51
CODE PINK	181	205	44	342	-	-	342
HS BOOK CLUB	-	14	-	14	-	-	14
MS GREENHOUSE CLUB	-	338	-	338	-	-	338
MS TRAVEL CLUB	-	44,444	44,444	-	-	-	-
ANATOMY GRANT	-	-	-	-	-	-	-
CHEMISTRY & SCIENCE GRANT	464	-	464	-	-	-	-
KMEA	536	-	536	-	-	-	-
SCHOLARSHIP FUND	127	1,000	1,000	127	-	-	127
YEARBOOK SALES PY (14-15)	867	1,329	2,196	-	-	-	-
MS ASIA RELATED CLASSROOM	-	-	-	-	-	-	-
MAGAZINE SALES	-	-	-	-	-	-	-
SPECIAL EDUCATION GRANT	-	-	-	-	-	-	-
TRAVEL CLUB	-	-	-	-	-	-	-
DESTINATION IMAGINATION-KIM S.	-	-	-	-	-	-	-
DESTINATION IMAGINATION-MONDINE	464	2,100	244	2,320	-	1,150	1,170
YEARBOOK AD SALES CY (13-14)	1,644	2,254	3,898	-	-	-	-
HS COUNSELOR'S ACCOUNT	574	-	574	-	-	-	-
HS FEES	4,212	6,598	10,808	-	-	-	-
HS PARKING FEES	398	203	599	-	-	-	-
TEXTBOOK RENTAL/FEES	36	7,849	7,885	-	-	-	-
MS COUNSELOR	846	-	846	-	-	-	-
MS FEES	509	1,871	2,180	-	-	-	-
GENERAL OPERATING - OFFICE	851	151	987	15	-	-	15
GENERAL OPERATING - STAFF	1,010	732	640	1,102	-	-	1,102
GENERAL OPERATING - STUDENT	3,315	7,929	11,244	-	-	-	-
MS/HS PICTURES	1,963	1,518	3,481	-	-	-	-
BEREA COLLEGE CLASSROOM GRANT	2,073	-	2,073	-	-	-	-
OPERATION HAPPINESS	318	-	-	318	-	-	318
VSA GRANT	3	1,250	1,253	-	-	-	-
TOTALS	\$ 139,069	\$ 299,827	\$ 373,379	\$ 65,517	\$ -	\$ 1,393	\$ 64,124

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDS Number	Pass Through Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through Kentucky State Department of Education:			
Special Education Cluster (IDEA)-Cluster			
Special Education Grants to States	84.027	3810002-12	\$2,780
Special Education Grants to States	84.027	3810002-13	16,815
Special Education Grants to States	84.027	3810002-14	188,583
Berea Ind/Early Childhood Regional Training Center	84.173	3800003-12	90,351
Berea Ind/Early Childhood Regional Training Center	84.173	3800003-13	214,753
Special Education Preschool Grants	84.173	3800001-12	2,568
Special Education_Preschool Grants	84.173	3800002-12	368
Special Education Preschool Grants	84.173	3800002-13	917
Total Special Education Cluster (IDEA)- Cluster			517,135
Career and Technical Education -- Basic Grants	84.048	3710002-14	5,423
Total Career and Technical Education			5,423
Vocational Rehabilitation Grant	84.126	376	5,981
Vocational Rehabilitation Grant	84.126	3764	6,476
Total Vocational Rehabilitation			12,457
Race to the Top Grant	84.413	3960002-11	8,503
Title VI Rural and Low Income Education	84.358	3140002-14	17,672
Improving Teacher Quality State Grants	84.367	3230002-14	33,021
Total Improving Teacher Quality			33,021
Twenty First Century Community Learning	84.287	3400002-13	98,041
Twenty First Century Community Learning	84.287	3400002-12	30,454
Total Twenty First Century Community Learning			128,495
GEAR UP- Pass Thru Berea College	84.334	375	208,075
GEAR UP- Pass Thru Berea College	84.334	374	27,527
Total GEAR UP			235,602
Title I Grants to Local Educational Agencies	84.010	3100002-13	35,740
Title I Grants to Local Educational Agencies	84.010	3100002-14	304,915
Total Title I			340,655
Total U.S. Department of Education			1,298,963
<u>United States Department of Agriculture</u>			
Passed Through Kentucky State Department of Education:			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	7760005-15	84,786
School Breakfast Program	10.553	7760005-14	20,423
Summer Feeding Program	10.559	7740023-14	5,556
Summer Feeding Program	10.559	7690024-14	571
National School Lunch Program	10.555	7750002-15	265,690
National School Lunch Program	10.555	7750002-14	61,944
Total Cash Assistance			438,970
Non-Cash Assistance			
National School Lunch Program	10.555	4000816	32,634
Total Child Nutrition Cluster			471,604
Total U.S. Department of Agriculture			471,604
<i>Total Expenditures of Federal Awards</i>			\$1,770,567

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Berea Independent School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3— FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2015, the District received food commodities totaling \$32,634.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, as defined in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Berea Independent School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2015.

Internal Control Over Financial Reporting

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 7, 2015.

In addition, the results of our tests disclosed no material instances of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 7, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
Members of the Board of Education
Berea Independent School District
Winchester, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Berea Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Berea Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 7, 2015

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified
that are not considered to be material
weakness? yes X none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over majority programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified
that are not considered to be material
weakness(es)? yes X none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are
required to be report in accordance
with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
10.555,10.553,10.559	Child Nutrition Cluster
84.010	Title I

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

There were none in the current year

Section III – Federal Award Findings and Questioned Costs

There were none in the current year.

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

SECTION I - FINDINGS - FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

Section II – Federal Award Findings and Questioned Costs

There were no prior year audit findings.

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Members of the Berea Independent Board of Education
Berea Independent School District
Berea, Kentucky

In planning and performing our audit of the financial statements of Berea Independent School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 7, 2015 on the financial statements of the Berea Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 7, 2015

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2015**

BOARD

Condition: During our testing of cash disbursements, we noted instances where invoiced amounts exceeded the amount on the approved purchase order. We also noted that some purchase orders were post dated. Without properly approved purchase orders, unauthorized expenditures and overspending could occur.

Response: The superintendent will meet with all department heads by the end of November 2015 to review the process for purchasing items. Our Finance Department will create a purchasing flow chart that will simplify explanation of purchasing and that flow chart will be shared in the meeting. Principals will work with their respective staff to ensure procurement processes and policies are followed and will distribute the flow chart to all staff to clarify the process.

Condition: During our testing of cash disbursements, we noted one instance of a check lacking proper approval with only one signature. This is not in compliance with board policy on cash disbursement checks. Without two authorized signatures there is a greater chance for unauthorized transactions.

Response: All checks will be triple-checked by Central Office staff to ensure all checks have a 2nd signature on the check. The process will be clarified within the Finance Department to ensure compliance.

ACTIVITY FUNDS

Berea Middle-High School

Comment: During our review of fundraising activity, we found instances where the Fundraiser Worksheet (F-SA-2B) was not being completed and the Fundraiser Approval form (F-SA-2A) was being approved after the fundraiser had taken place. We recommend the principal and all activity sponsors review the "Fundraising" section of the "Redbook", which states that for fundraisers where items are sold, the Fundraiser Worksheet (F-SA-2B) is required. The "Fundraising" section, specifically item no. 2, also states that the fundraiser must be approved before the fundraiser begins.

Response: This section has been reviewed and to ensure tracking of fundraising events, they are now in place on our master calendar and tracked

Comment: During our review of cash disbursements, we found instances of the purchase order being completed after the purchase was made. We recommend the bookkeeper review the "Purchasing" section, item no. 5, of the "Redbook", which states that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Response: I have reviewed the Redbook and stress this to the sponsors. We have placed a step by step guide in place that each sponsor has to sign. Each incident will be documented.

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2015**

Comment: During our review of cash receipts, we found multiple instances where money was not being turned in timely to the bookkeeper. We recommend the principal review the "Receipts" section, item no. 1, of the "Redbook", which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and continue to convey this point to the teachers in the school.

Response: We have written a step by step instruction sheet which will be signed by each teacher. Any future incidents will be documented within individual personal files.

Berea Elementary School

Comment: During our review of fundraising activity, we found instances where the Fundraiser Worksheet (F-SA-2B) was not being completed and the Fundraiser Approval form (F-SA-2A) was being approved after the fundraiser had taken place. We recommend the principal and all activity sponsors review the "Fundraising" section of the "Redbook", which states that for fundraisers where items are sold, the Fundraiser Worksheet (F-SA-2B) is required. The "Fundraising" section, specifically item no. 2, also states that the fundraiser must be approved before the fundraiser begins.

Response: The sponsor knew it was to be filled out before, but she just forgot. It should not be a problem this year.

STATUS OF PRIOR YEAR COMMENTS

Berea Middle-High School

- Previously, during our review of transfers, we noted multiple Transfer Forms (F-SA-10) which were not completed correctly. We found instances where transfer forms were not signed by the appropriate sponsor of the activity fund and also found instances where the explanation describing the purpose of the transfer was missing. We recommended that the bookkeeper review the Transfer Form (F-SA-10) of the "Redbook" to ensure they are familiar with all items that need to be reported on the form. No similar findings in current year.
- Previously, during our review of cash receipts, we found multiple instances where concession receipts were collected without the use of the Sales Collection Form (F-SA-17) or the Inventory Control Worksheet (F-SA-5). We recommended that the bookkeeper review "Appendix B" of the "Redbook", which illustrates that collections from concessions requires the use of the Sales Collection Form (F-SA-17), along with the Inventory Control Worksheet (F-SA-5). No similar findings in current year.
- Previously, during our review of Cash Disbursements, we found an instance where the check image on the bank statement only contained one signature for approval. We recommended that the bookkeeper review the "Expenditures" section, item no. 2 of the "Redbook", which states that all checks should contain the signatures of the principal's designee, and the school treasurer. No similar findings in current year.

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2015**

- Previously, during our review of cash receipts, we found multiple instances where the "Multiple Receipt Form" (F-SA-6) was not completed correctly. We recommended that the bookkeeper review the "Receipts" section, item no. 3 of the "Redbook" and the "Multiple Receipt Form" (F-SA-6) to ensure they are familiar with all items that need to be reported on the form. No similar findings in current year.

Berea Elementary School

- Previously, during our review of cash disbursements, we found that the vendor's invoice was missing a confirmation signature. We recommended that the bookkeeper review the "Expenditures" section of the "Redbook", item no. 7, which states that the vendor invoice must have a confirmation signature of the person receiving the goods or services before the payment process can continue. No similar findings in current year.