

**BEREA INDEPENDENT SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**with**

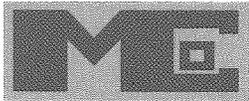
**INDEPENDENT AUDITOR'S REPORT**

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**MATHER  
& COMPANY**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for  
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, and each major fund of the Berea Independent School District (District), as of and for the year ended June 30, 2013, 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 audit 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 includes 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, and each major fund of the Berea Independent School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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, and budgetary comparison information on pages 4 through 8, and 36 through 37, respectively, 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 District's basic financial statements. The accompanying schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of receipts, disbursements, and due to student groups, 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 11, 2013, on our consideration of the 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.

*Mather & Co. CPAs, LLC*

Mather & Co. CPAs, LLC  
Louisville, Kentucky

November 11, 2013

## **BEREA INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)**

**Year ended June 30, 2013**

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

#### **FINANCIAL HIGHLIGHTS**

- The General Fund had \$9,138,591 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$9,133,902 in General Fund expenditures with an ending fund balance of \$2,699,142.
- District-wide governmental revenue totaled \$11,830,412 with expenditures of \$12,408,244 with an ending fund balance of \$4,051,503.
- Beginning in the summer of 2013 we began replacing the roof with a bond sale. The project should be completed by the end of the year of 2013. In addition to the roof, some other items we included in the working budget for 2013-14 are the purchase of Math textbooks, purchasing one new school bus and readjusting the staffing for our building and grounds by changing the salary schedule to combine the Maintenance and Transportation Director into one position as a result of the retirement of our Transportation Director on November 1, 2013. We will also be looking at creating an Assistant Maintenance/Transportation employee.
- The District remains committed to increasing teacher salaries to be competitive with surrounding districts to retain and recruit highly qualified teachers and staff. We plan to look into increasing the salaries of all staff by 1% to 2% for the school year of 2014-15 when we begin to evaluate the draft budget that is due in January 2014 for the 2014-15 school year.
- 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 total debt expenditure for 2012-13 fiscal year was \$909,458.

## 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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the 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, deferred outflow of resources, and liabilities, 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 primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There 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, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary fund is our 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 through 18 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 19 through 35 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets and deferred outflows of resources exceeded liabilities by \$5,102,973, proprietary assets and deferred outflows of resources exceeded liabilities by \$384,201, and total assets and deferred outflows of resources exceeded liabilities by \$5,487,174 at June 30, 2013.

The largest portion of the District's net position reflect its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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 as of June 30, 2013

Current Assets	\$ 4,900,305
Noncurrent Assets	<u>13,349,944</u>
<b>Total Assets</b>	<b>\$ 18,250,249</b>
 <b>Deferred Outflows of Resources</b>	 <b>\$ 82,765</b>
Current Liabilities	\$ 1,283,546
Noncurrent Liabilities	<u>11,562,294</u>
<b>Total Liabilities</b>	<b>\$ 12,845,840</b>
Investment in Capital Assets, net of related debt	\$ 1,415,273
Capital expenditures/debt service	1,352,361
Unrestricted	<u>2,719,540</u>
<b>Total Net Assets</b>	<b>\$ 5,487,174</b>

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

## Comments on Budget Comparisons

- The District's total Government Fund revenue for the fiscal year ended June 30, 2013 was \$11,830,412.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual revenue being \$2,285,515 more than budgeted.
- The total cost of all governmental programs and services was \$12,408,244.
- General Fund budget expenditures to actual expenditures varied from line item to line item ending with actual expenditures less than budgeted by \$488,365.

The following table presents a summary of revenues and expenditures for the fiscal year ended June 30, 2013:

### Revenues

Local revenue sources	\$ 2,762,213
State revenue sources	7,662,318
Federal revenue	1,386,142
Earnings on investments	<u>19,739</u>

### Total revenues

11,830,412

### Expenditures

Instruction	7,063,161
Student	399,381
Instructional staff	648,196
District administration	726,660
School administration	469,556
Business	248,560
Plant operations and maintenance	946,597
Student transportation	284,353
Non-instructional	1,114
Community services	78,638
Facilities and construction	632,570
Debt service	<u>909,458</u>

### Total expenditures

12,408,244

### Excess of expenditures over revenues

\$ (577,832)

## Grant (Special Revenue) Information

The following is a list of significant Grants revenue for the 2013 fiscal year:

### State Grants

FRYSC	\$	78,637
Extended School Services		20,420
Gifted and Talented		19,531
KERA-Preschool		28,065
KETS (included General Fund match)		23,330
Read to Achieve		48,500

Federal Grants Total was: \$1,800,897.

See Schedule of Expenditures of Federal Awards on pages 46 through 48.

## General Fund Revenue

The majority of revenue was derived from local taxes (26.0%) and state funding (72.0%).

## School Allocation

Regular Instruction (SBDM and Board paid) accounts for 70.73% of the General Fund expenditures. The remaining 29.27% was expended for central support services; a breakdown of these expenditures is found under "District Allocation".

## District Allocation

District (Central) support services expenditures were Transportation 2.29%, Maintenance & Operations 7.63%, District Administration 5.86%, and Business Functions & Central Office Support 2.00%, Debt Redemption 7.33%, Non-instructional 0.64%, and Construction 5.10%.

## 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 \$1,068,023 in contingency (approximately 11.36%). 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, 2013

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,154,289	\$ 210,220	\$ 4,364,509
Receivables:			
Taxes	67,580	-	67,580
Intergovernmental – Federal	428,509	39,707	468,216
Net capital assets	<u>13,215,670</u>	<u>134,274</u>	<u>13,349,944</u>
<b>Total assets</b>	17,866,048	384,201	18,250,249
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	82,765	-	82,765
<b>LIABILITIES</b>			
Accounts payable	398,817	-	398,817
Accrued payroll taxes	43,548	-	43,548
Unearned revenue	129,658	-	129,658
Current maturities of bond obligations	600,000	-	600,000
Current portion of accumulated sick leave	26,852	-	26,852
Interest payable	84,671	-	84,671
Noncurrent maturities of bond obligations	11,250,000	-	11,250,000
Noncurrent portion of accumulated sick leave	246,872	-	246,872
Accrued insurance claims liability	<u>65,422</u>	<u>-</u>	<u>65,422</u>
<b>Total liabilities</b>	<u>12,845,840</u>	<u>-</u>	<u>12,845,840</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,280,999	134,274	1,415,273
Restricted for:			
Capital expenditures	864,002	-	864,002
Capital expenditures/debt service	488,359	-	488,359
Unrestricted	<u>2,469,613</u>	<u>249,927</u>	<u>2,719,540</u>
<b>Total net position</b>	<u>\$ 5,102,973</u>	<u>\$ 384,201</u>	<u>\$ 5,487,174</u>

See accompanying notes.

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2013**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental activities</b>							
Instruction	\$ 7,193,853	\$ 12,572	\$ 2,304,240	\$ -	\$ (4,877,041)	\$ -	\$ (4,877,041)
Student	399,381	-	68,514	-	(330,867)	-	(330,867)
Instructional staff	649,735	-	369,932	-	(279,803)	-	(279,803)
District administration	798,426	-	127,408	-	(671,018)	-	(671,018)
School administration	470,032	-	80,553	-	(389,479)	-	(389,479)
Business	259,575	-	42,641	-	(216,934)	-	(216,934)
Plant operations and maintenance	1,110,368	-	162,389	-	(947,979)	-	(947,979)
Student transportation	305,522	-	48,781	-	(256,741)	-	(256,741)
Non-instructional	1,114	-	191	-	(923)	-	(923)
Community services	78,956	-	78,638	-	(318)	-	(318)
Interest and bond issue costs	452,672	-	-	410,547	(42,125)	-	(42,125)
Total governmental activities	11,719,634	12,572	3,283,287	410,547	(8,013,228)	-	(8,013,228)
<b>Business-type activities:</b>							
Food service	674,294	188,574	503,335	-	-	17,615	17,615
Total business-type activities	674,294	188,574	503,335	-	-	17,615	17,615
<b>Total primary government</b>	<b>\$ 12,393,928</b>	<b>\$ 201,146</b>	<b>\$ 3,786,622</b>	<b>\$ 410,547</b>	<b>(8,013,228)</b>	<b>17,615</b>	<b>(7,995,613)</b>
<b>General revenues</b>							
Taxes:							
Property					1,687,220	-	1,687,220
Motor vehicle					200,593	-	200,593
Utilities					691,942	-	691,942
Earnings on investments					19,739	1,154	20,893
State grants					5,369,165	-	5,369,165
Federal grants					35,511	-	35,511
Other local amounts					119,836	-	119,836
Total general revenues					8,124,006	1,154	8,125,160
<b>Change in net position</b>					110,778	18,769	129,547
Net position as of July 1, 2012, as previously reported					5,243,365	365,432	5,608,797
Change in accounting principal					(251,170)	-	(251,170)
Net position as of June 30, 2012, as restated					4,992,195	365,432	5,357,627
<b>Net position as of June 30, 2013</b>					<b>\$ 5,102,973</b>	<b>\$ 384,201</b>	<b>\$ 5,487,174</b>

See accompanying notes.

# BEREA INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	School Construction Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,519,200	\$ -	\$ 181,292	\$ 1,146,730	\$ -	\$ 307,067	\$ 4,154,289
Receivables:							
Taxes	67,580	-	-	-	-	-	67,580
Intergovernmental – Federal	-	428,509	-	-	-	-	428,509
Due from Special Revenue Funds	<u>298,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,851</u>
<b>Total assets</b>	<u>\$ 2,885,631</u>	<u>\$ 428,509</u>	<u>\$ 181,292</u>	<u>\$ 1,146,730</u>	<u>\$ -</u>	<u>\$ 307,067</u>	<u>\$ 4,949,229</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 116,089	\$ -	\$ -	\$ 282,728	\$ -	\$ -	\$ 398,817
Accrued payroll taxes	43,548	-	-	-	-	-	43,548
Due to General Fund	-	298,851	-	-	-	-	298,851
Unearned revenue	-	129,658	-	-	-	-	129,658
Current portion of accumulated sick leave	<u>26,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,852</u>
Total liabilities	186,489	428,509	-	282,728	-	-	897,726
<b>Fund balances</b>							
Restricted for:							
Capital expenditures	-	-	-	864,002	-	-	864,002
Capital expenditures/ debt service	-	-	181,292	-	-	307,067	488,359
Assigned for purchase obligations	98,455	-	-	-	-	-	98,455
Unassigned	<u>2,600,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600,687</u>
Total fund balances	<u>2,699,142</u>	<u>-</u>	<u>181,292</u>	<u>864,002</u>	<u>-</u>	<u>307,067</u>	<u>4,051,503</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,885,631</u>	<u>\$ 428,509</u>	<u>\$ 181,292</u>	<u>\$ 1,146,730</u>	<u>\$ -</u>	<u>\$ 307,067</u>	<u>\$ 4,949,229</u>

See accompanying notes.

**BEREA INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**June 30, 2013**

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Total fund balances – governmental funds	\$ 4,051,503
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$20,375,708, and the accumulated depreciation is \$7,160,038.	13,215,670
Deferred loss on bond refundings are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	82,765
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(11,850,000)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(246,872)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(84,671)
Accrued insurance claims liability is not reported in the government fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(65,422)</u>
Total net position – governmental activities	<u>\$ 5,102,973</u>

See accompanying notes.

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**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2013**

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	School Construction Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>							
From local sources:							
Taxes:							
Property	\$ 1,482,726	\$ -	\$ 204,494	\$ -	\$ -	\$ -	\$ 1,687,220
Motor vehicle	200,593	-	-	-	-	-	200,593
Utilities	691,942	-	-	-	-	-	691,942
Tuition and fees	12,572	-	-	-	-	-	12,572
Earnings on investments	15,317	174	2,355	1,893	-	-	19,739
Other local	119,836	50,050	-	-	-	-	169,886
Intergovernmental – State	6,580,094	315,680	500,337	-	98,613	167,594	7,662,318
Intergovernmental – Federal	35,511	1,350,631	-	-	-	-	1,386,142
<b>Total revenues</b>	<b>9,138,591</b>	<b>1,716,535</b>	<b>707,186</b>	<b>1,893</b>	<b>98,613</b>	<b>167,594</b>	<b>11,830,412</b>
<b>Expenditures</b>							
Current:							
Instruction	5,725,114	1,338,047	-	-	-	-	7,063,161
Student	399,381	-	-	-	-	-	399,381
Instructional staff	335,885	312,311	-	-	-	-	648,196
District administration	723,342	3,318	-	-	-	-	726,660
School administration	469,556	-	-	-	-	-	469,556
Business	248,560	-	-	-	-	-	248,560
Plant operations and maintenance	946,597	-	-	-	-	-	946,597
Student transportation	284,353	-	-	-	-	-	284,353
Non-instructional	1,114	-	-	-	-	-	1,114
Facilities acquisition and construction	-	-	129,259	503,311	-	-	632,570
Community services	-	78,638	-	-	-	-	78,638
Debt service	-	-	-	-	-	909,458	909,458
<b>Total expenditures</b>	<b>9,133,902</b>	<b>1,732,314</b>	<b>129,259</b>	<b>503,311</b>	<b>-</b>	<b>909,458</b>	<b>12,408,244</b>
(Deficit) excess of revenues (under) over expenditures	4,689	(15,779)	577,927	(501,418)	98,613	(741,864)	(577,832)
<b>Other financing sources (uses)</b>							
Bond issue expense	-	-	-	(42,125)	-	-	(42,125)
Proceeds for issuance of bonds	-	-	-	1,400,000	-	-	1,400,000
Operating transfers in	-	15,779	-	-	-	899,231	915,010
Operating transfers out	(17,614)	-	(794,666)	-	(102,730)	-	(915,010)
<b>Total other financing sources (uses)</b>	<b>(17,614)</b>	<b>15,779</b>	<b>(794,666)</b>	<b>1,357,875</b>	<b>(102,730)</b>	<b>899,231</b>	<b>1,357,875</b>
<b>Net change in fund balance</b>	<b>(12,925)</b>	<b>-</b>	<b>(216,739)</b>	<b>856,457</b>	<b>(4,117)</b>	<b>157,367</b>	<b>780,043</b>
Fund balance as of July 1, 2012	2,712,067	-	398,031	7,545	4,117	149,700	3,271,460
<b>Fund balance as of June 30, 2013</b>	<b>\$ 2,699,142</b>	<b>\$ -</b>	<b>\$ 181,292</b>	<b>\$ 864,002</b>	<b>\$ -</b>	<b>\$ 307,067</b>	<b>\$ 4,051,503</b>

See accompanying notes.

**BEREA INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2013**

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Net change in total fund balances – governmental funds	\$ 780,043
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which capital outlays (\$657,272) exceeds depreciation expense (\$439,266) for the year.	218,006
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	498,911
Bond proceeds are other financing sources in the governmental fund financial statements, but are not included in the statement of activities.	(1,400,000)
Insurance claims expense related to accrued insurance claims liability is recognized in the statement of activities but not in the governmental fund financial statements because it will not be paid with existing financial resources.	(65,422)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>79,240</u>
Change in net position – governmental activities	<u>\$ 110,778</u>

See accompanying notes.

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**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET POSITION – PROPRIETARY FUND**

**June 30, 2013**

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	<u>School Food Service Fund</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 210,220
Intergovernmental receivable – Federal	<u>39,707</u>
Total current assets	249,927
<b>Noncurrent assets</b>	
Capital assets	222,731
Less accumulated depreciation	<u>88,457</u>
Total noncurrent assets	<u>134,274</u>
<b>Total assets</b>	384,201
<b>NET POSITION</b>	
Invested in capital assets	134,274
Unrestricted	<u>249,927</u>
<b>Total net position</b>	<u>\$ 384,201</u>

See accompanying notes.

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**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUND**

**Year ended June 30, 2013**

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	School Food Service <u>Fund</u>
<b>Operating revenues</b>	
Lunchroom sales	\$ 188,574
<b>Operating expenses</b>	
Salaries, wages, and benefits	252,035
Materials and supplies	405,505
Depreciation	15,703
Other	<u>1,051</u>
Total operating expenses	<u>674,294</u>
Operating loss	(485,720)
<b>Nonoperating revenues</b>	
Federal grants	416,366
State grants	52,979
Donated commodities	33,990
Interest income	<u>1,154</u>
Total nonoperating revenues	<u>504,489</u>
<b>Change in net position</b>	18,769
Net position as of July 1, 2012	<u>365,432</u>
<b>Net position as of June 30, 2013</b>	<u><u>\$ 384,201</u></u>

See accompanying notes.

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## BEREA INDEPENDENT SCHOOL DISTRICT

### STATEMENT OF CASH FLOWS – PROPRIETARY FUND Year ended June 30, 2013

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	School Food Service Fund
<b>Cash flows from operating activities</b>	
Cash received from:	
Lunchroom sales	\$ 188,574
Cash paid to/for:	
Employees and contract services	(252,035)
Materials and supplies	<u>(372,566)</u>
Net cash used in operating activities	(436,027)
<b>Cash flows from noncapital financing activities</b>	
Government grants	<u>429,638</u>
Net cash provided by noncapital financing activities	429,638
<b>Cash flows from investing activities</b>	
Capital asset purchases	(34,931)
Interest income	<u>1,154</u>
Net cash used in investing activities	<u>(33,777)</u>
<b>Net decrease in cash and cash equivalents</b>	(40,166)
Cash and cash equivalents as of July 1, 2012	<u>250,386</u>
<b>Cash and cash equivalents as of June 30, 2013</b>	<u><u>\$ 210,220</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (485,720)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	15,703
Donated commodities	<u>33,990</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (436,027)</u></u>
<b>Schedule of noncash transactions</b>	
Donated commodities	\$ 33,990

See accompanying notes.

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**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**

June 30, 2013

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	<u>Student Activity Funds</u>	<u>Fiscal Agent Fund/ Regional Training Center</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 155,663	\$ 96,351	\$ 252,014
Accounts receivable	<u>445</u>	<u>-</u>	<u>445</u>
<b>Total assets</b>	156,108	96,351	252,459
<b>LIABILITIES</b>			
Accounts payable	3,002	96,351	99,353
Due to student groups	<u>153,106</u>	<u>-</u>	<u>153,106</u>
<b>Total liabilities</b>	<u>156,108</u>	<u>96,351</u>	<u>252,459</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

# BEREA INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2013

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### 1. Basis of presentation and summary of significant accounting policies

**Reporting entity** – The Berea Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Berea Independent School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of those funding source entities. However, the District is not included in any other governmental reporting entity, and its 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 of the funds relevant to the District's operation. The basic financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The District's basic financial statements include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the basic financial statements of the following organization are included in the accompanying basic financial statements:

**Berea Independent School District Finance Corporation** – The Berea, Kentucky Board of Education established the Berea Independent School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Berea Board of Education also comprise the Corporation's Board of Directors.

**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 District financial activities, except for fiduciary funds. The statements distinguish between those District activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities, and each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a service, program, or function. The District does not charge indirect expenses to programs or functions. 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 District's general revenues.

***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 fund is presented in a separate column. Fiduciary funds are reported by fund type.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are food service charges. Operating expenses include food production costs, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

*a. Governmental fund types*

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
2. The Facility Support Program (FSPK) Fund accounts for and reports 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 major fund of the District.
3. The School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

4. The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

*b. Proprietary fund type*

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

*c. Fiduciary fund types*

The Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

The Fiscal Agent Fund accounts for and reports the Regional Training Center, a third party, which provides training to various districts in the regional area.

***Budgetary process*** – The District’s budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General Fund and the School Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**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.

**Inventories** – Supplies and materials are charged to expense when purchased (purchases method).

**Prepaid expenses** – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items on the accompanying statement of net position using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2013.

**Bond issue costs** – Prior to July 1, 2012, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2012, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the District expenses bond issue costs as incurred.

**Deferred loss on bond refunding** – Deferred loss on bond refunding represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

**Interfund balances** – On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

**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 and 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 fund.

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
Other	10 years

**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 in 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 if they will be liquidated with current resources. In general, payments made within 60 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.

**Unearned revenue** – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

**Accumulated sick leave** – Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

**Fund balances** – The District classifies its governmental fund balances as follows:

*Nonspendable* – This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2013.

*Restricted* – This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund, the FSPK Fund, and the Debt Service Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects.

*Committed* – This category includes funds that have been designated for future projects by the Board. Only the Board may commit funds and modify or rescind the commitment. The District does not have any committed funds as of June 30, 2013.

*Assigned* – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management.

*Unassigned* – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

When the District incurs an expenditure for which both restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

***Net position*** – Net position represents the difference between assets and deferred outflows of resources, and liabilities. Amounts invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the asset's use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When the District incurs an expenditure for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

***Interfund activity*** – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

***Encumbrance accounting*** – Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

**Estimates** – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Subsequent events** – The District's management has evaluated subsequent events through November 11, 2013, the date which the financial statements were available for issue. No subsequent events were of such a nature as to require disclosure.

**New accounting pronouncements** – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and in March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 amends previous pronouncements and incorporates deferred outflows of resources and deferred inflows of resources, as defined in Concepts Statement No. 4, *Elements of Financial Statements*, into the required components of the statement of financial position's (formerly statement of net assets) residual measure and renames that measure net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously classified as assets and liabilities as deferred outflows and deferred inflows of resources. Effective July 1, 2012, the District adopted GASB Statements No. 63 and 65. The adoption of GASB Statement No. 65 resulted in a \$251,170 reduction of the District's net position as of July 1, 2012 and is presented as a change in accounting principal on the accompanying statement of activities.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 68 also provides related note disclosure and supplementary information requirements. GASB Statement No. 68 is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

## **2. Deposits with financial institutions**

As of June 30, 2013, the carrying amount of the District's deposits with financial institutions was \$4,616,523, and its bank balances totaled \$4,857,390. Of the total bank balances, \$250,000 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

Cash and cash equivalents are commingled in various bank accounts and short-term certificates of deposits. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash and cash equivalents amount within the following funds is considered to be restricted:

SEEK Capital Outlay Fund  
Facility Support Program (FSPK) Fund  
School Construction Fund  
Debt Service Fund  
Student Activity Funds  
Fiscal Agent Fund

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

## **3. Taxes**

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the September 30 levy date.

The property tax rates assessed for the year ended June 30, 2013 were \$.913 per \$100 valuation for real property, \$.913 per \$100 valuation for business personal property, and \$.591 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the City of Berea, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

#### 4. Capital assets

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

<u>Governmental Activities</u>	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>June 30, 2013</u>
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	-	632,570	-	632,570
Buildings and improvements	17,233,052	-	-	17,233,052
Technology equipment	1,415,282	24,702	-	1,439,984
Vehicles	790,275	-	-	790,275
Other	<u>268,827</u>	<u>-</u>	<u>-</u>	<u>268,827</u>
Total cost	19,718,436	657,272		20,375,708
Less accumulated depreciation:				
Buildings and improvements	4,912,371	321,461	-	5,233,832
Technology equipment	1,042,744	86,899	-	1,129,643
Vehicles	583,877	21,169	-	605,046
Other	<u>181,780</u>	<u>9,737</u>	<u>-</u>	<u>191,517</u>
Total accumulated depreciation	<u>6,720,772</u>	<u>439,266</u>	<u>-</u>	<u>7,160,038</u>
Governmental activities net capital assets	<u>\$ 12,997,664</u>	<u>\$ 218,006</u>	<u>\$ -</u>	<u>\$ 13,215,670</u>
 <u>Business-type Activities</u>				
Food service equipment	\$ 187,800	\$ 34,931	\$ -	\$ 222,731
Less accumulated depreciation:				
Food service equipment	<u>72,754</u>	<u>15,703</u>	<u>-</u>	<u>88,457</u>
Business-type activities net capital assets	<u>\$ 115,046</u>	<u>\$ 19,228</u>	<u>\$ -</u>	<u>\$ 134,274</u>

Governmental activities depreciation expense is allocated to specific functions or programs in the statement of activities as follows:

Instruction	\$ 144,510
Instructional staff	1,539
District administration	71,766
School administration	476
Business	11,015
Plant operations and maintenance	188,473
Student transportation	21,169
Community services	<u>318</u>
Total depreciation expense	<u>\$ 439,266</u>

## 5. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Berea Independent School District Finance Corporation.

The original amount of each issue, the issue date, and interest rate are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2003	\$ 1,175,000	4.0%
2004	1,395,000	1.9 – 3.7%
2007	6,705,000	3.625 – 4.0%
2008	1,935,000	2.3 – 3.7%
2008	1,775,000	3.25 – 4.4%
2012	1,120,000	2.0%
2013	1,400,000	0.75 – 3.0%

The District, through the General Fund, the Facility Support Program (FSPK) 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 an option to purchase the property under lease at any time by retiring the bonds then outstanding.

For the 2003, 2004, 2007, 2008 (both issues), 2012, and 2013 bond issues, the District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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 bonds may be called prior to maturity with redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the District's minimum obligations, including amounts to be paid by the Commission, as of June 30, 2013 for debt service (principal and interest) are as follows:

Fiscal Year Ending	Berea Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2014	\$ 427,685	\$ 319,850	\$ 172,315	\$ 80,610	\$ 1,000,460
2015	439,645	305,433	175,355	76,531	996,964
2016	455,328	290,125	179,672	72,226	997,351
2017	472,074	273,889	182,926	67,740	996,629
2018	487,450	257,181	187,550	63,100	995,281
2019	502,533	242,356	177,467	58,445	980,801
2020	521,980	226,089	183,020	52,893	983,982
2021	540,432	209,050	174,568	47,371	971,421
2022	553,284	191,113	146,716	42,519	933,632
2023	568,869	172,668	151,131	38,107	930,775
2024	605,588	149,758	134,412	33,541	923,299
2025	626,282	125,780	138,718	29,235	920,015
2026	650,858	100,869	144,142	24,747	920,616
2027	677,147	74,928	147,853	20,102	920,030
2028	705,050	47,590	139,950	15,530	908,120
2029	731,338	17,357	93,662	12,043	854,400
2030	10,100	1,250	74,900	9,400	95,650
2031	7,853	946	77,147	7,154	93,100
2032	15,538	710	79,462	4,840	100,550
2033	8,155	244	81,845	2,456	92,700
	<u>\$ 9,007,189</u>	<u>\$ 3,007,186</u>	<u>\$ 2,842,811</u>	<u>\$ 758,590</u>	<u>\$ 15,615,776</u>

A summary of the changes in the outstanding bonds and loan during the fiscal year ended June 30, 2013 is as follows:

Issue	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
School Building Revenue Bonds:				
2003	\$ 15,000	\$ -	\$ 15,000	\$ -
2004	760,000	-	140,000	620,000
2007	6,150,000	-	155,000	5,995,000
2008	1,295,000	-	155,000	1,140,000
2008	1,645,000	-	45,000	1,600,000
2012	1,105,000	-	10,000	1,095,000
2013	-	1,400,000	-	1,400,000
Totals	<u>\$ 10,970,000</u>	<u>\$ 1,400,000</u>	<u>\$ 520,000</u>	<u>\$ 11,850,000</u>

## 6. Accumulated unpaid sick leave benefits

Upon retirement from the school system, certain employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported.

A summary of the changes in the accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2013 is as follows:

Balance as of July 1, 2012	\$ 352,964
Additions/increase to estimate	7,149
Less payments	<u>86,389</u>
Balance as of June 30, 2013	273,724
Less current portion	<u>26,852</u>
Noncurrent portion	<u>\$ 246,872</u>

## 7. Accrued insurance claims liability

The District has previously purchased workers compensation and general liability insurance through the Kentucky School Boards Insurance Trust (KSBIT). KSBIT filed for bankruptcy. Accordingly, the participant districts are subject to KSBIT's unpaid outstanding claims. The District has accrued the estimated loss on the accompanying statement of net position.

## 8. Commitments and contingencies

The District receives funding from federal and state government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements. The collectability of any related

receivables as of June 30, 2013 may be impaired. 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 grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## **9. Retirement plans**

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601, or from the KTRS website at <http://www.ktrs.ky.gov/>.

Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members who participated in a state retirement system before July 1, 2008, and 14.105% of salaries for members who started their account on or after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing, multiple-employer defined benefit plan. Changes may be made to the medical plan 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 members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

In order to fund the post-employment healthcare benefit, active member contributions are matched by the State at 0.75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the District pays 1% of members' salaries for the 2012-2013 fiscal year.

The District's total payroll was \$6,900,918, \$6,769,582, and \$6,421,109 for the years ended June 30, 2013, 2012, and 2011, respectively. The payroll for employees covered under KTRS was \$5,905,315, \$5,202,785, and \$4,891,554 for the years ended June 30, 2013, 2012, and 2011, respectively. The Commonwealth contributed \$581,320, \$545,297, and \$524,094 to KTRS for the years ended June 30, 2013, 2012, and 2011, respectively, for the benefit of the participating employees. The District's contributions to KTRS were \$165,502, \$145,417, and \$119,323 for the years ended June 30, 2013, 2012, and 2011, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health benefits to members and their beneficiaries. Under KRS provisions, 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 can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation if hired before September 1, 2008, or 6% of their annual covered compensation if hired after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012, and 2011 were \$269,113, \$255,906, and \$219,596, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in voluntary tax-deferred compensation retirement plans as provided by the Berea Board of Education 403(b) Plan and by the Kentucky Public Employees' Deferred Compensation Program which administers 401(k) and 457 plans sponsored by the Commonwealth of Kentucky. All regular full-time and part-time employees are eligible to participate and may contribute the maximum allowable under Sections 403(b), 401(k), and 457 of the Internal Revenue Code. Members contributed approximately \$76,000 during the year ended June 30, 2013. The District does not contribute to the plan.

## 10. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 581,320
Health and life insurance	<u>985,606</u>
Total	<u>\$ 1,566,926</u>

## 11. Insurance, risk management, 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.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. However, the District has potential exposure for claims in excess of commercial insurance coverage as explained in Note 7.

## 12. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance. However, the General Fund, FSPK Fund, and SEEK Capital Outlay Fund had operations that resulted in a current year operating loss resulting in a corresponding reduction of fund balances.

## 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 District at risk for a substantial loss contingency.

#### 14. Transfer of funds

The following transfers were made during the year ended June 30, 2013:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching	\$ 15,779
Financing	General	Debt Service	Debt Service	1,835
Financing	FSPK	Debt Service	Debt Service	794,666
Financing	SEEK Capital	Debt Service	Debt Service	102,730

#### 15. Interfund receivables and payables

Interfund balances as of June 30, 2013 consist of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Cash Flow	\$ 298,851

## **SUPPLEMENTARY INFORMATION**

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ 1,387,651	\$ 1,387,651	\$ 1,482,726	\$ 95,075
Motor vehicle	105,000	105,000	200,593	95,593
Utilities	285,000	285,000	691,942	406,942
Tuition and fees	10,000	10,000	12,572	2,572
Earnings on investments	30,000	30,000	15,317	(14,683)
Other local	10,500	10,500	119,836	109,336
Intergovernmental – State	4,908,205	5,019,925	6,580,094	1,560,169
Intergovernmental – Federal	<u>5,000</u>	<u>5,000</u>	<u>35,511</u>	<u>30,511</u>
Total revenues	6,741,356	6,853,076	9,138,591	2,285,515
<b>Expenditures</b>				
Current:				
Instruction	4,177,277	4,341,234	5,725,114	(1,383,880)
Student	350,475	350,475	399,381	(48,906)
Instructional staff	294,385	294,385	335,885	(41,500)
District administration	1,883,181	2,020,562	723,342	1,297,220
School administration	438,975	438,975	469,556	(30,581)
Business	225,806	226,100	248,560	(22,460)
Plant operations and maintenance	1,745,575	1,459,473	946,597	512,876
Student transportation	721,036	486,826	284,353	202,473
Non-instructional	2,237	2,237	1,114	1,123
Debt service	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>9,840,947</u>	<u>9,622,267</u>	<u>9,133,902</u>	<u>488,365</u>
Excess (deficit) of revenues over (under) expenditures	(3,099,591)	(2,769,191)	4,689	2,773,880
<b>Other financing uses</b>				
Operating transfers out	<u>(11,665)</u>	<u>(11,665)</u>	<u>(17,614)</u>	<u>(5,949)</u>
Total other financing uses	<u>(11,665)</u>	<u>(11,665)</u>	<u>(17,614)</u>	<u>(5,949)</u>
<b>Net change in fund balance</b>	(3,111,256)	(2,780,856)	(12,925)	2,767,931
Fund balance as of July 1, 2012	<u>2,712,067</u>	<u>2,712,067</u>	<u>2,712,067</u>	<u>-</u>
<b>Fund balance as of June 30, 2013</b>	<u>\$ (399,189)</u>	<u>\$ (68,789)</u>	<u>\$ 2,699,142</u>	<u>\$ 2,767,931</u>

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS**

**Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 174	\$ 174
Other local	-	31,075	50,050	18,975
Intergovernmental – State	424,950	34,217	315,680	281,463
Intergovernmental – Federal	<u>954,797</u>	<u>1,115,934</u>	<u>1,350,631</u>	<u>234,697</u>
Total revenues	1,379,747	1,181,226	1,716,535	535,309
<b>Expenditures</b>				
Current:				
Instruction	984,620	1,001,613	1,338,047	(336,434)
Instructional staff	316,692	316,736	312,311	4,425
District administration	-	-	3,318	(3,318)
Student transportation	10,447	2,229	-	2,229
Community services	<u>79,653</u>	<u>78,638</u>	<u>78,638</u>	<u>-</u>
Total expenditures	<u>1,391,412</u>	<u>1,399,216</u>	<u>1,732,314</u>	<u>(333,098)</u>
Deficit of revenues under expenditures	(11,665)	(217,990)	(15,779)	202,211
<b>Other financing sources</b>				
Operating transfers in	<u>11,665</u>	<u>10,848</u>	<u>15,779</u>	<u>4,931</u>
Total other financing sources	<u>11,665</u>	<u>10,848</u>	<u>15,779</u>	<u>4,931</u>
<b>Net change in fund balance</b>	-	(207,142)	-	207,142
Fund balance as of July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance as of June 30, 2013</b>	<u>\$ -</u>	<u>\$ (207,142)</u>	<u>\$ -</u>	<u>\$ 207,142</u>

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
ELEMENTARY SCHOOL ACTIVITY FUNDS  
Year ended June 30, 2013**

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<u>School</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Berea Elementary School	\$ <u>11,973</u>	\$ <u>33,139</u>	\$ <u>31,060</u>	\$ <u>14,052</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,052</u>
Totals	\$ <u>11,973</u>	\$ <u>33,139</u>	\$ <u>31,060</u>	\$ <u>14,052</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,052</u>

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Freshmen	\$ 971	\$ 77	\$ -	\$ (164)	\$ 884	\$ -	\$ -	\$ 884
Sophomores	100	-	259	871	712	-	-	712
Juniors	1,834	5,849	3,266	(1,647)	2,770	-	-	2,770
Seniors	1,658	-	785	178	1,051	-	-	1,051
8 <sup>th</sup> grade DC trip Destinations	-	2,526	-	120	2,646	-	-	2,646
Imagination-Baker	1	300	120	-	181	-	-	181
4-H Club	370	-	-	-	370	-	-	370
HS Academic Team	-	-	-	500	500	-	-	500
Seventh	1,392	46	-	670	2,108	-	-	2,108
Eighth	807	44,659	47,379	1,958	45	-	-	45
Athletic general	19,843	10,028	13,159	6,395	23,107	145	-	23,252
Academic team	-	173	375	300	98	-	-	98
Art	43	-	-	-	43	-	-	43
Art Club	90	-	-	-	90	-	-	90
Athletic referees	-	662	28,591	27,929	-	-	-	-
Athletic program	4,939	11,163	5,133	-	10,969	-	-	10,969
Athletic ticket	-	35,179	851	(34,328)	-	-	-	-
Anatomy class projects	20	-	-	-	20	-	-	20

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Band	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ 2
Beta Club	619	1,749	1,930	-	438	-	-	438
Baseball	2,524	797	1,613	-	1,708	-	-	1,708
Business education	500	-	-	-	500	-	-	500
HS Chorus	-	-	202	250	48	-	-	48
Boys BB Varsity Club	6,566	18,687	10,572	(75)	14,606	300	1,800	13,106
HS Cheer – Regular	2,335	7,192	7,303	(551)	1,673	-	-	1,673
MS Cheer	2,129	1,387	2,395	(44)	1,077	-	-	1,077
HS Cheer – Competition Team	-	-	551	551	-	-	-	-
Chemistry and science grant	583	-	120	-	463	-	-	463
Counselor	244	1,026	448	500	1,322	-	-	1,322
MS Counselor	933	-	-	-	933	-	-	933
Drama	3,758	5,056	5,030	-	3,784	-	-	3,784
Drama Club	129	-	-	-	129	-	-	129
HS Dance Team – Flynn	1,163	430	1,796	243	40	-	-	40

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Family consumer science	\$ 116	\$ -	\$ 24	\$ 300	\$ 392	\$ -	\$ -	\$ 392
Future Educators of America	64	145	293	189	105	-	-	105
FBLA	342	2,326	1,801	(120)	747	-	-	747
FCA	19	50	-	-	69	-	-	69
FCCLA	189	-	-	(189)	-	-	-	-
MS film	34	17	-	-	51	-	-	51
HS Bass Club	174	70	-	-	244	-	-	244
MS Pep Club	-	-	-	200	200	-	-	200
HS Pep Club	62	-	-	250	312	-	-	312
MS Chess Club	81	-	-	-	81	-	-	81
Environmental Club	55	-	-	-	55	-	-	55
Unite Club Grant	-	1,149	1,149	-	-	-	-	-
Foreign language	1	-	297	300	4	-	-	4
Foreign Language Club	189	-	-	-	189	-	-	189
Future problem solving	498	-	-	-	498	-	-	498

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Girls Basketball								
Varsity Club	\$ 3,820	\$ 22,802	\$ 19,007	\$ (150)	\$ 7,465	\$ -	\$ -	\$ 7,465
General Fund								
– office	1,528	718	2,300	1,500	1,446	-	-	1,446
Destination								
ImagiNation 6 <sup>th</sup>	819	-	-	-	819	-	-	819
HS Destination								
ImagiNation	186	-	45	-	141	-	-	141
Yearbook Ad Sales	-	2,561	1,427	(138)	996	-	315	681
High school fee	9,099	5,786	-	(12,576)	2,309	-	-	2,309
Jr. Beta Club	26	3,512	3,580	42	-	-	-	-
Key Club	1,246	493	1,474	-	265	-	-	265
KMEA funds	571	-	-	-	571	-	-	571
Language arts	2,327	-	2,235	134	226	-	-	226
Library	347	1,004	318	(947)	86	-	-	86
Magazine sales	-	7,840	4,788	(2,812)	240	-	-	240
Mathematics	1,759	-	1,321	-	438	-	-	438
Middle school fees	2,363	2,755	25	(2,580)	2,513	-	-	2,513
Mock Trial Team	183	-	-	-	183	-	-	183
MS chorus	5	-	-	250	255	-	-	255

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
MS Drama Club	\$ 36	\$ 676	\$ 319	\$ -	\$ 393	\$ -	\$ -	\$ 393
MS Young Entrepreneurs	45	-	-	-	45	-	-	45
MS special education	141	150	141	-	150	-	-	150
Music education	8	-	-	-	8	-	-	8
Music Honor Society	60	-	-	-	60	-	-	60
Musical – drama	3,897	2,914	2,166	-	4,645	-	-	4,645
Newspaper	1,351	-	128	-	1,223	-	-	1,223
NHS	286	375	448	-	213	-	-	213
Parking fees	380	279	218	-	441	-	-	441
Physical education	729	404	914	-	219	-	-	219
Picture sales	1,043	2,787	2,968	138	1,000	-	-	1,000
Berea College								
Classroom Grant	-	2,500	427	-	2,073	-	-	2,073
Operation happiness	-	500	49	-	451	-	-	451
Visa grant	-	1,200	1,197	-	3	-	-	3
Principal account	1,486	820	1,239	-	1,067	-	-	1,067
Principal/student	1,293	11,156	20,491	9,177	1,135	-	64	1,071
Scholarship Fund	127	1,000	1,000	-	127	-	-	127
School store	2,841	7,530	6,356	81	4,096	-	-	4,096

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Science HS	\$ 937	\$ -	\$ 1,248	\$ 311	\$ -	\$ -	\$ -	\$ -
Science Club MS	439	-	-	-	439	-	-	439
Student Council MS	371	509	203	-	677	-	-	677
SEED	47	40	-	-	87	-	-	87
Senior trip	2,592	7,909	8,186	(97)	2,218	-	-	2,218
Social studies	1,687	-	1,990	400	97	-	-	97
Special education	847	7	62	-	792	-	-	792
Student Council	259	2,654	2,939	620	594	-	-	594
Technology general	369	190	347	(90)	122	-	-	122
Textbook rentals	-	4,515	4,551	36	-	-	-	-
Technology Student Association	144	135	370	91	-	-	-	-
MS & HS Unite Club	145	53	66	-	132	-	-	132
VC track	218	130	805	457	-	-	-	-
VC baseball	644	-	540	-	104	-	-	104
VC football	2,856	7,120	6,859	-	3,117	-	823	2,294
MS football	76	1,938	818	-	1,196	-	-	1,196
VC girls basketball	2,752	2,121	3,069	(560)	1,244	-	-	1,244
MS Bluegrass Tournament	721	-	-	-	721	-	-	721

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –  
MIDDLE/HIGH SCHOOL ACTIVITY FUNDS – CONTINUED**

**Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Letterman jackets	\$ -	\$ 2,153	\$ 2,777	\$ 624	\$ -	\$ -	\$ -	\$ -
Sixth grade	1,394	61	-	1,246	2,701	-	-	2,701
MS boys basketball	4,148	5,307	6,814	-	2,641	-	-	2,641
MS girls soccer	905	63	642	-	326	-	-	326
MS softball	630	1,375	1,590	-	415	-	-	415
VC boys soccer	-	9,940	7,861	-	2,079	-	-	2,079
VC girls soccer	215	4,590	4,952	150	3	-	-	3
VC softball	2,469	250	1,313	-	1,406	-	-	1,406
VC swim team	787	2,520	3,412	105	-	-	-	-
VC tennis	338	1,050	1,045	-	343	-	-	343
VC golf	723	1,570	1,458	-	835	-	-	835
VC cross-country	4,514	4,625	2,698	-	6,441	-	-	6,441
Volleyball	680	4,201	2,566	-	2,315	-	-	2,315
Yearbook	4,815	300	5,115	-	-	-	-	-
<b>Totals</b>	<b>\$ 130,099</b>	<b>\$ 295,831</b>	<b>\$ 284,319</b>	<b>\$ -</b>	<b>\$ 141,611</b>	<b>\$ 445</b>	<b>\$ 3,002</b>	<b>\$ 139,054</b>

**BEREA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>Cash expenditures</b>			
<u>U.S. Department of Education</u>			
Kentucky Department of Education:			
Title I	84.010	3100002-12	\$ 243,181
		3100202-11	36,484
		3100202-10	<u>8,429</u>
Subtotal			288,094
Special Education	84.027	3810002-12	143,877
		3810002-11	<u>55,652</u>
Subtotal			199,529
Special Education Preschool	84.173	3800003-12	215,036
		3800003-11	84,688
		3800002-11	<u>6,913</u>
Subtotal			306,637
Vocational Education Basic	84.048	4621332-13	1,178
Rural Education	84.358	3140002-12	20,925
		3140002-11	<u>1,389</u>
Subtotal			22,314
Education Jobs Fund*	84.410	EJOB00-10	2,018
21 <sup>st</sup> Century Community Learning Centers	84.287	3400002-11	136,159
		3400002-10	<u>13,978</u>
Subtotal			150,137
GEAR UP	84.334	3792	185,232
		3793	52,251
		379E2	<u>856</u>
Subtotal			238,339
Improving Teacher Quality	84.367	3230002-12	46,663
		3230002-11	<u>7,362</u>
Subtotal			54,025

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED**  
**Year ended June 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Special Education*	84.391	4810002-09	\$ 636
Special Education – State Personnel Development	84.323	3840001-11	4,542
Special Education – Preschool Grants*	84.392	4800002-09	20
School Improvement Grant*	84.388	4100302-09	80,222
Race to the Top	84.416	3960002-11	<u>2,940</u>
<b>Total U.S. Department of Education</b>			<b>1,350,631</b>
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Education:			
National School Lunch Program	10.555	7750002-13 7750002-12	245,177 <u>61,541</u>
Subtotal			306,718
National School Breakfast Program	10.553	7760005-13 7760005-12	87,027 <u>22,621</u>
Subtotal			<u>109,648</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>416,366</u></b>
<b>Total cash expenditures</b>			<b>1,766,997</b>
<b>Non-cash expenditures</b>			
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Agriculture:			
Food donation	10.555	Not provided	<u>33,900</u>
<b>Total Federal expenditures</b>			<b><u>\$ 1,800,897</u></b>

\* American Recovery and Reinvestment Act (ARRA) funds

See accompanying notes.

**BEREA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2013**

---

**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 modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

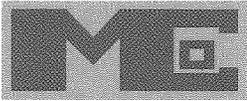
**2. Food donation**

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. The donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

**3. Program clusters**

The following programs are considered clusters and are considered in the aggregate for consideration of major program determination:

<u>Cluster Name</u>	<u>CFDA</u>	<u>Total Grant</u>
Special Education	84.027/84.173/84.391/84.392/84.323	\$ 511,364
Child Nutrition	10.555/10.553	450,266



**MATHER  
& COMPANY**

**SOLUTION-DRIVEN** CPAs and Business Advisors

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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; 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 *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Berea Independent School District (District), as of and for the year ended June 30, 2013, 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 11, 2013.

**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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditor's Contract – State Audit Requirements*.

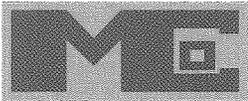
We noted certain other matters that we reported to the District's management in a separate letter dated November 11, 2013.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mather & Co. CPAs, LLC*

Mather & Co. CPAs, LLC  
Louisville, Kentucky  
November 11, 2013



**MATHER  
& COMPANY**

Mather & Co. CPAs, LLC  
Suite 200  
9100 Shelbyville Rd  
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**SOLUTION-DRIVEN** CPAs and Business Advisors

**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  
Berea, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the 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, 2013. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 District complied, in all material respects, with the 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, 2013.

### **Report on Internal Control Over Compliance**

The District's management 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 the 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.

*Mather & Co. CPAs, LLC*

Mather & Co. CPAs, LLC  
Louisville, Kentucky  
November 11, 2013

**BEREA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2013**

---

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued		Unqualified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditor’s report issued on compliance for major programs		Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392/84.323	Special Education

Dollar threshold used to distinguish between Type A and Type B program      \$    300,000

Auditee qualified as low risk       Yes      \_\_\_\_\_ No

(continued)

**BEREA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**  
**Year ended June 30, 2013**

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**Section II – Financial Statement Findings**

No matters to report.

**Section III – Federal Award Findings**

No matters to report.

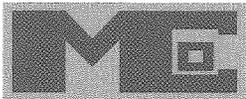
**BEREA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Year ended June 30, 2013**

---

There were no prior year audit findings.



**M A T H E R  
& COMPANY**

*SOLUTION-DRIVEN CPAs and Business Advisors*

Mather & Co. CPAs, LLC  
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Members of the Board of Education  
Berea Independent School District  
Berea, Kentucky

In planning and performing our audit of the basic financial statements of the Berea Independent School District (District) as of and for the year ended June 30, 2013, 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, we considered the District's internal control over financial reporting and compliance as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting or compliance. Accordingly, we do not express an opinion on the District's internal control over reporting and compliance.

However, during our audit we became aware of instances of noncompliance that we do not consider to be material weaknesses or significant deficiencies, but are opportunities for strengthening internal control. In addition, we followed up on the other matter we noted in our previous audit. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 11, 2013 on the District's basic financial statements.

Respectfully,

*Mather & Co. CPAs, LLC*

Mather & Co. CPAs, LLC  
Louisville, Kentucky  
November 11, 2013

**BEREA INDEPENDENT SCHOOL DISTRICT**

**MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

## CONTENTS

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## **GENERAL COMMENTS**

The Finance Department personnel were helpful in retrieving information we needed while conducting our audit. Segregation and accounting for the various fund groups appears to be consistent with guidelines established by the Department of Education and other funding agencies.

The State Board for Elementary and Secondary Education has a uniform program of accounting for school activity funds in Kentucky schools. The uniform program is documented in a handbook entitled *Accounting Procedures for Kentucky School Activity Funds* (the Redbook). Each school's activity funds were tested for compliance with the Redbook. Any findings have been documented as current year comments.

## ELEMENTARY AND HIGH SCHOOL ACTIVITY FUNDS

### Follow-up on Prior Year Findings

**Prior year finding:** We noted instances where the school did not require prenumbered receipts be signed by the activity sponsor when money is turned into the activity fund bookkeeper.

**Current year follow-up:** No similar instance was noted in the current year.

### Current Year Findings

#### **High School Activity Funds**

**Statement of deficiency:** The School did not follow Accounting Procedures for Kentucky School Activity Funds (Redbook) with regard to two purchase orders.

**Criteria for the deficiency:** The School did not obtain an approved purchase order for two purchases prior to payment.

**Cause of the deficiency:** Funds were expended without obtaining an approved purchase order.

**Effect of the deficiency:** The proper Kentucky Department of Education Redbook procedures for the purchase of goods was not followed.

**Recommendation for correction:** We recommend the District follow applicable Redbook procedures.

**Board response:** The Finance Officer and Superintendent will meet with the BCMS/HS administration to ensure full compliance per Redbook requirements. They will require a sign-in sheet to document their efforts to ensure compliance with Redbook procedures for executing a purchase order.

**Statement of deficiency:** The School did not follow Accounting Procedures for Kentucky School Activity Funds (Redbook) with regard to one purchase.

**Criteria for the deficiency:** The School did not match the approved purchase order with a Standard Invoice for one purchase prior to payment.

**Cause of the deficiency:** The payment was issued without a standard invoice.

**Effect of the deficiency:** The proper Kentucky Department of Education Redbook procedures for the purchase of goods was not followed.

**Recommendation for correction:** We recommend the District follow applicable Redbook procedures.

**Board response:** The Finance Officer and Superintendent will meet with the BCMS/HS administration to ensure full compliance per Redbook requirements. They will require a sign-in sheet to document their efforts to ensure compliance with Redbook procedures for payment from an invoice only.

**Statement of deficiency:** The School did not follow Accounting Procedures for Kentucky School Activity Funds (Redbook) with regard to check signing for payment of game referees.

**Criteria for the deficiency:** The School issued checks to referees without obtaining two signatures on checks.

**Cause of the deficiency:** The payment was issued without two signatures on the check.

**Effect of the deficiency:** The proper Kentucky Department of Education Redbook procedures for the purchase of goods was not followed.

**Recommendation for correction:** We recommend the District follow applicable Redbook procedures.

**Board response:** In August 2013 when made aware of this situation, the Superintendent immediately met with the school administration to ensure compliance with Redbook's two signatures check policy. The District trained the principal to check the monthly account report to ensure compliance two signatures policy. Additionally, the district office is reviewing the statement monthly to ensure compliance.

## **OTHER ISSUES RELATING TO INTERNAL CONTROL AND GENERAL ACCOUNTING PROCEDURES**

### Follow-up on Prior Year Findings

There were no prior year findings.

### Current Year Findings

There are no current year findings.



# Berea Independent School District

*We Are Kid Driven!*

3 Pirate Parkway, Berea, Kentucky 40403

859-986-8446 (Ph) 859-986-1839 (Fax)

www.berea.kyschools.us

## STATEMENT OF CERTIFICATION

State Committee for School District Audits  
Frankfort, Kentucky

The Berea Independent School District certifies that all audit adjustments have been entered into MUNIS. The Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, November 11, 2013

\_\_\_\_\_  
Superintendent

\_\_\_\_\_  
Finance Officer

Our mission is to engage students, families, and the community in creating a safe, innovative learning environment that nurtures, challenges, and educates each student to be a fulfilled, responsible citizen in a diverse society.

**Berea Board of Education Members: Van Gravitt-Chair, Elizabeth Crowe-Vice Chair, Jackie Burnside, Linda Wagers, Will Bondurant**

Berea Independent School District provides Equal Educational & Employment Opportunities