

Berea Independent School District
Audited Financial Statements
and Required Supplementary Information

June 30, 2019

BEREA INDEPENDENT SCHOOL DISTRICT
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SUMMERS, McCRARY & SPARKS, P.S.C.

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STUART K. McCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

LAURENCE T. SUMMERS
1961-1992

INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Berea Independent School District
Berea, KY 40403

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent School District as of and for the year ended June 30, 2019, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent School District as of June 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3–9 and 66–74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berea Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditure 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2019, on our consideration of Berea Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 1, 2019

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

As management of the Berea Independent School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS

- The General Fund had \$11,061,441 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$11,528,874 in General Fund expenditures with an ending fund balance of \$2,571,846.
- Total governmental funds revenue was \$14,661,966 with expenditures of \$15,094,812 an ending fund balance of \$3,672,296.
- Major expenses for the 2018-19 budget include the installation of a new security camera system, safety glass at all exterior entrances, a new phone system, new district Poweredge Server, a 2020 78-passenger school bus and new stadium seating in the MSHS theater.
- Our greatest financial commitment is to providing our staff competitive salaries and benefits to ensure our students are served by a well-compensated, motivated, professional staff.
- Future plans for 2019-20 include several upgrades and improvements for safety district wide and a change in the veriflo pumps to the HVAC.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s debt expenditures for 2018-19 fiscal year totaled \$1,112,986.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

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

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

The basic governmental fund financial statements can be found on pages 12-22 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 23-65 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, assets plus deferred outflows of resources were \$1,184,495 less than liabilities plus deferred inflows of resources as of June 30, 2019, whereas assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$1,454,765 in the prior year. The prior year net position was revised to recognize the effect a prior period adjustment for capital assets that had previously been disposed. The prior year fund balance has been restated from \$1,454,765 to (\$702,738) to reflect this adjustment.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 are not likely to 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.

The breakdown of assets, deferred outflows of resources, liabilities, and net position can be seen on page 10 in the statement of net position, government wide basis.

Net position for the years ending June 30, 2019 and 2018

	<u>2019</u>	<u>Restated 2018</u>	<u>Change</u>
Current Assets	\$ 4,254,825	\$ 4,627,805	\$ (372,980)
Noncurrent Assets	13,567,743	14,116,014	(548,271)
Total Assets	<u>17,822,568</u>	<u>18,743,819</u>	<u>(921,251)</u>
 Deferred Outflows of Resources	 <u>1,674,179</u>	 <u>2,032,007</u>	 <u>(357,828)</u>
Current Liabilities	1,092,247	1,077,787	14,460
Noncurrent Liabilities	18,753,189	19,880,903	(1,127,714)
Total Liabilities	<u>19,845,436</u>	<u>20,958,690</u>	<u>(1,113,254)</u>
 Deferred Inflows of Resources	 <u>876,806</u>	 <u>519,875</u>	 <u>356,931</u>
 Net Position			
Investment in capital assets (net)	1,851,984	1,624,944	227,040
Restricted	1,203,344	1,134,592	68,752
Unrestricted	<u>(4,280,823)</u>	<u>(3,462,274)</u>	<u>(818,549)</u>
Total Net Position	<u>\$ (1,225,495)</u>	<u>\$ (702,738)</u>	<u>\$ (522,757)</u>

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018, Governmental Wide Basis.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Local revenue sources	\$2,691,795	\$2,895,483	\$24,347	\$25,514	\$2,716,142	\$2,920,997
State revenue sources	10,903,398	11,079,014	45,529	87,430	10,948,927	11,166,444
Federal revenue sources	1,932,715	2,057,620	672,918	638,510	2,605,633	2,696,130
Investments	23,136	21,325	2,297	2,309	25,433	23,634
Total Revenue	15,551,044	16,053,442	745,091	753,763	16,296,135	16,807,205
Expenses:						
Instruction	10,999,186	10,054,076	-	-	10,999,186	10,054,076
Student support services	423,411	433,191	-	-	423,411	433,191
Instructional support	1,087,485	1,664,017	-	-	1,087,485	1,664,017
District administration	584,193	628,405	-	-	584,193	628,405
School administration	662,572	719,819	-	-	662,572	719,819
Business support	301,215	327,355	-	-	301,215	327,355
Plant operations	1,259,541	1,105,832	-	-	1,259,541	1,105,832
Student transportation	302,695	496,786	-	-	302,695	496,786
Community service	116,396	107,553	-	-	116,396	107,553
Interest on long-term debt	337,672	349,276	-	-	337,672	349,276
Food service	-	-	744,526	768,223	744,526	768,223
Total Expenses	16,074,366	15,886,310	744,526	768,223	16,818,892	16,654,533
Change in net position	(523,322)	167,132	565	(14,460)	(522,757)	152,672
Beginning net position	1,278,613	4,703,121	176,152	295,168	1,454,765	4,998,289
Effect of adoption of GASB 75	-	(3,591,640)	-	(104,556)	-	(3,696,196)
Prior period adjustment	(2,160,137)	-	2,634	-	(2,157,503)	-
Beginning net position restated	(881,524)	1,111,481	178,786	190,612	(702,738)	1,302,093
Ending net position	(\$1,404,846)	\$1,278,613	\$179,351	\$176,152	(\$1,225,495)	\$1,454,765

Governmental Activities

Instruction comprises 68% of governmental program expenses. Plant Operations expense makes up 8% of government expenses. District and School Administration total 10% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 14% of total governmental expense.

Business-Type Activities

The business-type activities include the food service operations. This program had total revenues of \$745,091 and expenses of \$744,526 for the fiscal year. Of the revenues, \$27,424 was charges for services, and \$718,447 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

- General Fund budget compared to actual revenue varied from line item to line item with the ending actual revenue being \$1,564,041 more than budgeted.
- General Fund budget expenditures to actual expenditures varied from line item to line item ending with actual expenditures less than budgeted by \$699,526.
- 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.

The following table presents a summary of revenue and expense, excluding transfers, for selected funds (including on- behalf payments). Food service amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

For the Year ending June 30, 2019

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 1,832,456	\$ -	-
Motor vehicle	163,006	-	-
Utilities	481,037	-	-
Earnings on investments	20,377	16	2,297
Tuition & fees	11,415	-	-
Other local revenues	35,705	4,186	24,347
Intergovernmental - state	8,494,464	385,049	45,529
Intergovernmental - federal	22,981	1,909,734	672,918
TOTAL REVENUES	\$ 11,061,441	\$ 2,298,985	\$ 745,091
EXPENDITURES:			
Instruction:	\$ 8,020,711	\$ 1,640,320	\$ -
Support Services:			
Student	367,986	-	-
Instructional staff	401,042	585,438	-
District administration	519,216	-	-
School administration	587,167	-	-
Business	274,041	-	-
Plant operations and maintenance	999,918	-	-
Student transportation	214,630	10,533	-
Food Service	1,205	-	744,526
Community Service	-	83,430	-
Facilities acquisition and construction	142,958	-	-
TOTAL EXPENDITURES	\$ 11,528,874	\$ 2,319,721	\$ 744,526
Excess (Deficit) of Revenues over Expenditures	\$ (467,433)	\$ (20,736)	\$ 565

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

For the Year ending June 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 1,809,240	\$ -	\$ -
Motor vehicle	167,250	-	-
Utilities	503,721	-	-
Earnings on investments	16,224	54	2,309
Tuition & fees	7,360	-	-
Other local revenues	60,786	10,167	25,514
Intergovernmental - state	8,171,625	436,368	87,430
Intergovernmental - federal	24,816	2,032,804	638,510
TOTAL REVENUES	\$ 10,761,022	\$ 2,479,393	\$ 753,763
EXPENDITURES:			
Instruction:	\$ 6,958,344	\$ 1,251,807	\$ -
Support Services:			
Student	330,598	-	-
Instructional staff	372,405	1,160,595	-
District administration	567,908	-	-
School administration	585,064	-	-
Business	279,417	-	-
Plant operations and maintenance	811,545	-	-
Student transportation	392,777	10,874	-
Food Service	1,114	-	768,223
Community Service	-	76,523	-
Facilities acquisition and construction	282,760	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	\$ 10,581,932	\$ 2,499,799	\$ 768,223
Excess (Deficit) of Revenues over Expenditures	\$ 179,090	\$ (20,406)	\$ (14,460)

Capital Assets

At June 30, 2019, the School District’s investment in capital assets for its governmental and business-type activities was \$13,567,743, representing a decrease of \$2,705,775 net of depreciation and the prior period adjustment, from the prior year. An adjustment was made for assets previously disposed which made up \$2,157,503 of the decrease in capital assets.

Debt

At June 30, 2019, the School District had \$11,690,000 in debt outstanding; of this amount \$2,314,304 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$785,000 is due within one year.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a working budget with \$1,010,000 in contingency (approximately 8%). Significant Board action that impacts the finances includes a pay raise for all employees at the beginning of the fiscal year.

Questions regarding this report should be directed to Diane Hatchett, Superintendent (859) 986-8446, or to Tony Tompkins, 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, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 3,320,165	\$ 398,996	\$ 3,719,161
Accounts receivable			
Taxes	13,785	-	13,785
Intergovernmental - federal	507,729	-	507,729
Inventory	-	14,150	14,150
Total Current Assets	<u>3,841,679</u>	<u>413,146</u>	<u>4,254,825</u>
Noncurrent Assets			
Non-depreciated capital assets	11,000	-	11,000
Net depreciated capital assets	13,480,286	76,457	13,556,743
Total Noncurrent Assets	<u>13,491,286</u>	<u>76,457</u>	<u>13,567,743</u>
TOTAL ASSETS	<u>17,332,965</u>	<u>489,603</u>	<u>17,822,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	201,439	-	201,439
Pension	854,550	84,649	939,199
OPEB	500,066	33,475	533,541
Total deferred outflows of resources	<u>1,556,055</u>	<u>118,124</u>	<u>1,674,179</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	21,098	-	21,098
Accrued Payroll	60,620	-	60,620
Accrued Interest Expense	89,711	-	89,711
Current portion of accrued sick leave	48,152	-	48,152
Unearned revenue	87,666	-	87,666
Current portion of bond obligations	785,000	-	785,000
Total Current Liabilities	<u>1,092,247</u>	<u>-</u>	<u>1,092,247</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	11,042,487	-	11,042,487
Noncurrent portion of accrued sick leave	76,028	-	76,028
Net pension liability	3,446,022	230,025	3,676,047
Net OPEB liability	3,838,996	119,631	3,958,627
Total Noncurrent Liabilities	<u>18,403,533</u>	<u>349,656</u>	<u>18,753,189</u>
TOTAL LIABILITIES	<u>19,495,780</u>	<u>349,656</u>	<u>19,845,436</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension	399,708	49,945	449,653
OPEB	398,378	28,775	427,153
Total deferred inflow of resources	<u>798,086</u>	<u>78,720</u>	<u>876,806</u>
NET POSITION			
Net Investment in Capital Assets	1,775,527	76,457	1,851,984
Restricted - Capital Projects	1,100,450	-	1,100,450
Restricted - Other Purposes	-	102,894	102,894
Unrestricted	(4,280,823)	-	(4,280,823)
TOTAL NET POSITION	<u>\$ (1,404,846)</u>	<u>\$ 179,351</u>	<u>\$ (1,225,495)</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 10,999,186	\$ 11,415	\$ 4,821,498	\$ -	\$ (6,166,273)	\$ -	\$ (6,166,273)
Support Services:							
Student	423,411	-	185,437	-	(237,974)	-	(237,974)
Instructional staff	1,087,485	-	487,536	-	(599,949)	-	(599,949)
District administration	584,193	-	256,532	-	(327,661)	-	(327,661)
School administration	662,572	-	290,541	-	(372,031)	-	(372,031)
Business	301,215	-	132,217	-	(168,998)	-	(168,998)
Plant operations and maintenance	1,259,541	-	553,820	-	(705,721)	-	(705,721)
Student transportation	302,695	-	185,494	-	(117,201)	-	(117,201)
Non-Instructional	116,396	-	51,178	-	(65,218)	-	(65,218)
Interest on long-term debt	337,672	-	-	274,079	(63,593)	-	(63,593)
Total Governmental Activities	16,074,366	11,415	6,964,256	274,079	(8,824,616)	-	(8,824,616)
Business-Type Activities:							
Lunchroom sales	744,526	27,424	718,447	-	-	1,345	1,345
Total Primary Government	\$ 16,818,892	\$ 38,839	\$ 7,682,703	\$ 274,079	\$ (8,824,616)	\$ 1,345	\$ (8,823,271)
			General Revenues:				
			Taxes:				
			Property		\$ 2,080,904	\$ -	\$ 2,080,904
			Motor vehicle		163,006	-	163,006
			Utilities		481,037	-	481,037
			State aid formula grants		5,597,778	-	5,597,778
			Interest and investment earnings		23,136	2,297	25,433
			Miscellaneous		142,375	-	142,375
			Loss on disposal		(186,942)	(3,077)	(190,019)
			Total General Revenues		8,301,294	(780)	8,300,514
			Change in Net Position		(523,322)	565	(522,757)
			Net Position beginning		1,278,613	176,152	1,454,765
			Prior Period Adjustment		(2,160,137)	2,634	(2,157,503)
			Total Net Position beginning restated		(881,524)	178,786	(702,738)
			Net Position ending		\$ (1,404,846)	\$ 179,351	\$ (1,225,495)

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	SEEK CAPITAL OUTLAY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 2,639,663	\$ (420,063)	\$ 693,234	\$ 407,331	\$ 3,320,165
Accounts receivable					
Taxes	13,785	-	-	-	13,785
Intergovernmental - federal	-	507,729	-	-	507,729
TOTAL ASSETS	\$ 2,653,448	\$ 87,666	\$ 693,234	\$ 407,331	\$ 3,841,679
LIABILITIES:					
Accounts payable	\$ 20,982	\$ -	\$ -	\$ 115	\$ 21,097
Payroll Taxes Payable	36,654	-	-	-	36,654
Accrued Salaries and Benefits	23,966	-	-	-	23,966
Unearned revenue	-	87,666	-	-	87,666
TOTAL LIABILITIES	81,602	87,666	-	115	169,383
FUND BALANCES:					
Restricted					
Capital projects	-	-	693,234	407,216	1,100,450
Assigned	33,294	-	-	-	33,294
Unassigned	2,538,552	-	-	-	2,538,552
TOTAL FUND BALANCES	2,571,846	-	693,234	407,216	3,672,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,653,448	\$ 87,666	\$ 693,234	\$ 407,331	\$ 3,841,679

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances	\$	3,672,296
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		
		13,491,286
Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position		
Pension contributions subsequent to measurement date		854,550
OPEB contributions subsequent to measurement date		500,066
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position		
Net pension liability		(3,446,022)
Net OPEB liability		(3,838,996)
Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position		
Pension plan investment differences		(399,708)
OPEB plan investment differences		(398,378)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:		
Bonds payable		(11,827,487)
Accrued interest		(89,711)
Accrued sick leave		(124,180)
Deferred loss on refunding		201,438
Net Position of Governmental Activities	\$	<u><u>(1,404,846)</u></u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	SEEK CAPITAL OUTLAY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 1,832,456	\$ -	\$ -	\$ 248,448	\$ 2,080,904
Motor vehicle	163,006	-	-	-	163,006
Utilities	481,037	-	-	-	481,037
Earnings on investments	20,377	16	-	2,743	23,136
Tuition & fees	11,415	-	-	-	11,415
Other local revenues	35,705	4,186	-	102,484	142,375
Intergovernmental - state	8,494,464	385,049	98,740	849,125	9,827,378
Intergovernmental - federal	22,981	1,909,734	-	-	1,932,715
TOTAL REVENUES	<u>11,061,441</u>	<u>2,298,985</u>	<u>98,740</u>	<u>1,202,800</u>	<u>14,661,966</u>
EXPENDITURES:					
Current:					
Instruction:	8,020,711	1,640,320	-	110,952	9,771,983
Support Services:					
Student	367,986	-	-	-	367,986
Instructional staff	401,042	585,438	-	8,139	994,619
District administration	519,216	-	-	-	519,216
School administration	587,167	-	-	-	587,167
Business	274,041	-	-	-	274,041
Plant operations and maintenance	999,918	-	-	-	999,918
Student transportation	214,630	10,533	-	-	225,163
Food Service	1,205	-	-	-	1,205
Community Service	-	83,430	-	14,140	97,570
Capital outlay	142,958	-	-	-	142,958
Debt service	-	-	-	1,112,986	1,112,986
TOTAL EXPENDITURES	<u>11,528,874</u>	<u>2,319,721</u>	<u>-</u>	<u>1,246,217</u>	<u>15,094,812</u>
Excess (Deficit) of Revenues over Expenditures	<u>(467,433)</u>	<u>(20,736)</u>	<u>98,740</u>	<u>(43,417)</u>	<u>(432,846)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	20,736	-	838,907	859,643
Operating transfers out	(20,736)	-	(14,308)	(824,599)	(859,643)
Issuance of debt	-	-	-	-	-
Other financing uses	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,736)</u>	<u>20,736</u>	<u>(14,308)</u>	<u>14,308</u>	<u>-</u>
Net Change in Fund Balances	<u>(488,169)</u>	<u>-</u>	<u>84,432</u>	<u>(29,109)</u>	<u>(432,846)</u>
Fund Balance beginning of year	<u>3,060,015</u>	<u>-</u>	<u>608,802</u>	<u>436,325</u>	<u>4,105,142</u>
Fund Balance end of year	<u>\$ 2,571,846</u>	<u>\$ -</u>	<u>\$ 693,234</u>	<u>\$ 407,216</u>	<u>\$ 3,672,296</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (432,846)

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

Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Capital outlay	142,958
Depreciation expense	(491,424)
Loss on disposal	(186,942)

Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Accrued interest	10,146
Sick leave	(40,626)
Amortization of deferred loss from refunding of bonds	(9,831)

Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenue	1,076,019
KTRS on-behalf pension expense	(1,025,215)
KTRS on-behalf OPEB expense	(50,804)
Pension Expense	(264,093)
OPEB Expense	(25,664)

Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt principal repaid	775,000
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Change in Net Position of Governmental Activities \$ (523,322)

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL GENERAL FUND (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,560,500	\$ 1,660,500	\$ 1,832,456	\$ 171,956
Motor vehicle	175,000	175,000	163,006	(11,994)
Utilities	450,000	450,000	481,037	31,037
Tuition & fees	5,000	5,000	11,415	6,415
Earnings on investments	12,500	12,500	20,377	7,877
Other local revenues	7,000	7,000	35,705	28,705
Intergovernmental - state	7,062,400	7,162,400	8,494,464	1,332,064
Intergovernmental - indirect federal	25,000	25,000	22,981	(2,019)
TOTAL REVENUES	<u>9,297,400</u>	<u>9,497,400</u>	<u>11,061,441</u>	<u>1,564,041</u>
EXPENDITURES:				
Current:				
Instruction:	6,908,087	7,450,582	8,020,711	(570,129)
Support Services:				
Student	485,385	297,932	367,986	(70,054)
Instructional staff	440,962	347,920	401,042	(53,122)
District administration	1,862,299	1,746,107	519,216	1,226,891
School administration	599,733	582,678	587,167	(4,489)
Business	219,651	333,815	274,041	59,774
Plant operations and maintenance	1,122,920	965,544	999,918	(34,374)
Student transportation	381,582	499,041	214,630	284,411
Food Service	5,781	4,781	1,205	3,576
Capital outlay	-	-	142,958	(142,958)
Debt service	2,000	-	-	-
TOTAL EXPENDITURES	<u>12,028,400</u>	<u>12,228,400</u>	<u>11,528,874</u>	<u>699,526</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,731,000)</u>	<u>(2,731,000)</u>	<u>(467,433)</u>	<u>2,263,567</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(20,000)	(20,000)	(20,736)	(736)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,736)</u>	<u>(736)</u>
Net Change in Fund Balance	(2,751,000)	(2,751,000)	(488,169)	2,262,831
Fund Balance beginning	2,751,000	2,751,000	3,060,015	309,015
Fund Balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,571,846</u>	<u>\$ 2,571,846</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL SPECIAL REVENUE FUND (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Earnings from Investments	\$ -	\$ -	\$ 16	\$ 16
Other local revenues	3,100	24,670	4,186	(20,484)
Intergovernmental - state	413,084	438,951	385,049	(53,902)
Intergovernmental - indirect federal	864,757	1,626,976	1,909,734	282,758
TOTAL REVENUES	<u>1,280,941</u>	<u>2,090,597</u>	<u>2,298,985</u>	<u>208,388</u>
EXPENDITURES:				
Current:				
Instruction:	904,269	1,447,926	1,640,320	(192,394)
Support Services:				
Instructional staff	322,043	579,241	585,438	(6,197)
Student transportation	-	-	10,533	(10,533)
Community Services	70,443	83,430	83,430	-
TOTAL EXPENDITURES	<u>1,296,755</u>	<u>2,110,597</u>	<u>2,319,721</u>	<u>(209,124)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(15,814)</u>	<u>(20,000)</u>	<u>(20,736)</u>	<u>(736)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	15,814	20,000	20,736	(736)
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,814</u>	<u>20,000</u>	<u>20,736</u>	<u>(736)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance beginning	-	-	-	-
Fund Balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	FOOD SERVICE FUND
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 398,996
Inventory	14,150
Total Current Assets	413,146
Noncurrent Assets	
Machinery & equipment	197,879
Accumulated depreciation	(121,422)
Total Noncurrent Assets	76,457
TOTAL ASSETS	489,603
DEFERRED OUTFLOW OF RESOURCES	
Pension	84,649
OPEB	33,475
TOTAL DEFERRED OUTFLOWS OF RESOURCES	118,124
LIABILITIES:	
Current Liabilities	
Accounts Payable	-
Total Current Assets	-
Noncurrent Liabilities	
Net Pension Liability	230,025
Net OPEB Liability	119,631
Total Noncurrent Liabilities	349,656
TOTAL LIABILITIES	349,656
DEFERRED INFLOW OF RESOURCES	
Pension	49,945
OPEB	28,775
TOTAL DEFERRED INFLOWS OF RESOURCES	78,720
NET POSITION:	
Net Investment in Capital Assets	76,457
Restricted	102,894
TOTAL NET POSITION	\$ 179,351

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>FOOD SERVICE FUND</u>
OPERATING REVENUES:	
Lunchroom sales	\$ 27,424
TOTAL OPERATING REVENUES	<u>27,424</u>
OPERATING EXPENSES:	
Salaries and wages	311,046
Contract services	16,159
Materials and supplies	406,351
Miscellaneous	1,183
Depreciation	9,787
TOTAL OPERATING EXPENSES	<u>744,526</u>
Operating Income (Loss)	(717,102)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	624,459
Federal commodities	48,459
State grants	45,529
Interest income	2,297
Gain (Loss) on sale of equipment	(3,077)
NON-OPERATING REVENUES (EXPENSES)	<u>717,667</u>
Change in Net Position	<u>565</u>
Total Net Position beginning	176,152
Prior Period Adjustment	<u>2,634</u>
Total Net Position beginning restated	<u>178,786</u>
Total Net Position ending	<u><u>\$ 179,351</u></u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 27,424
Cash paid to suppliers	(376,395)
Cash paid to employees	(237,667)
	(586,638)
Net Cash Provided (Used) by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Governmental grants	630,984
	630,984
Net Cash Provided (Used) by Noncapital Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	-
Interest received	2,297
	2,297
Net Cash Provided (Used) by Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	46,643
Cash and cash equivalents beginning	352,353
Cash and cash equivalents ending	\$ 398,996
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (717,102)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:	
Depreciation	9,787
On-behalf payments	39,004
Donated commodities	48,459
Changes in Assets and Liabilities:	
Inventory	(102)
Accounts payable	(1,059)
Net pension liability	(11,077)
Net OPEB liability	(24,170)
Deferred outflows	44,563
Deferred inflows	25,059
	25,059
Net Cash Provided (Used) by Operating Activities	\$ (586,638)
Non-cash Items:	
On-behalf payments	\$ 39,004
Donated commodities	\$ 48,459

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Regional Training Center Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 107,811	\$ 76,148
Accounts receivable	-	337
TOTAL ASSETS	\$ 107,811	\$ 76,485
LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to student groups	-	76,485
Custodial	80,740	-
TOTAL LIABILITIES	\$ 80,740	\$ 76,485
Net Position Held in Trust	\$ 27,071	\$ -

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Regional Training Center Fund
ADDITIONS	
Contributions	\$ 30,848
DEDUCTIONS	
Community Services	203
Instruction	3,574
Change in Net Position	27,071
Total net position - beginning of year	\$ <u> -</u>
Total net position - end of year	\$ <u><u> 27,071</u></u>

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – REPORTING ENTITY

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

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

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

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

Blended Component Unit

Berea Independent Board of Education Finance Corporation - In a prior year, the Board resolved to authorize the establishment of the Berea Independent School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Berea Independent Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Fund Financial Statements (Cont'd)

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

The District has the following funds:

I. Governmental Fund Types

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

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

1) The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Fund Financial Statements (Cont'd)

- 1) The Capital Outlay Fund, Support Education Excellence in Kentucky (SEEK), receives resources that are designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a major fund of the District.
- 2) The Building fund, Facility Support Program of Kentucky (FSPK), accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non-major fund of the District.
- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a non-major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a non-major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

III. Fiduciary Fund Type (Agency)

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

(B) The Regional Training Center Fund accounts for funds held by the District for use by the Regional Training Center.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises during the period for which taxes are levied, but only after the District has completed certain legal steps to establish the enforceable legal claim. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements when in which the District must provide local resources to be used for a specified purpose and expenditure requirements for in which the resources that are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized in the governmental fund statements.

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Revenues – Exchange and Non-Exchange Transactions (Cont'd)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Unearned Revenue

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Inventory

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

Capital Assets

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

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

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

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1st for all real and personal property in the city. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes are deemed delinquent on April 16th and are turned over to the Clerk's office for sale.

Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund; and then, transferred to the appropriate fund, if the taxes are restricted to a specific purpose, such as the Building Fund (FSPK).

The property tax rates assessed for the year ended June 30, 2019 to finance the General Fund operations were \$.952 per \$100 valuation for real property, \$.952 per \$100 valuation for business personal property and \$.591 per \$100 valuation for motor vehicles. The District levies a 3% utility tax on all businesses and households within the City.

Interfund Balances

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

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. As a result, several programs exceeded budgetary appropriations. However, these amounts were funded by the on-behalf revenues from the State. (See Note 15)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end. The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Accrued Liabilities and Long-Term Obligations

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Fund Balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the SEEK, construction, FSPK, and District Activity funds are restricted for capital projects with a total of \$1,100,450 at June 30, 2019.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the Board's highest level of decision-making authority.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year. As of June 30, 2019, the District assigned \$33,294 for the FY2020 budget.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Net Position

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

Operating Revenues and Expenses

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

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

Interfund Activity

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Estimates

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 7 and 8), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 5).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 7 and 8).

Pensions

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 8.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for reporting periods beginning after December 15, 2019. The District has not determined the financial impact of the implementation of GASBS No. 87, but many of the leases reported in Note 6 will be reported as intangible assets and lease liabilities with the implementation of GASBS No. 87.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for reporting periods beginning after December 15, 2018. The District has not determined the financial impact of the implementation of GASBS No. 84, but the school activity funds will be reviewed to determine which funds will be reported as special revenue funds, which will increase net position, and which will be reported as fiduciary custodial funds.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$3,903,120. The bank balance for the same time was \$4,232,441.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Total Capital Assets not being depreciated	11,000	-	-	11,000
Other Capital Assets				
Land Improvements	69,959	-	(8,470)	61,490
Buildings & Improvements	20,423,959	-	-	20,423,959
Technological Equipment	1,290,483	-	(1,241,993)	48,490
Vehicles	782,576	142,958	-	925,534
General Equipment	157,952	-	(110,253)	47,699
Total Other Assets	<u>22,724,930</u>	<u>142,958</u>	<u>(1,360,716)</u>	<u>21,507,172</u>
Less accumulated depreciation for:				
Land Improvements	(67,129)	(1,137)	7,345	(60,921)
Buildings & Improvements	(6,899,199)	(424,875)	-	(7,324,074)
Technological Equipment	(1,093,156)	-	1,064,022	(29,135)
Vehicles	(506,177)	(63,230)	(332)	(569,740)
General Equipment	(143,574)	(2,181)	102,739	(43,017)
Total accumulated depreciation	<u>(8,709,236)</u>	<u>(491,424)</u>	<u>1,173,774</u>	<u>(8,026,886)</u>
Other Capital Assets, net	<u>14,015,693</u>	<u>(348,466)</u>	<u>(186,942)</u>	<u>13,480,286</u>
Governmental Activities, net	<u>\$14,026,693</u>	<u>(\$348,466)</u>	<u>(\$186,942)</u>	<u>\$13,491,286</u>
Business Activities:				
Technological Equipment	\$ -	\$ -	\$ -	\$ -
General Equipment	258,271	-	(60,392)	197,879
Total	258,271	-	(60,392)	197,879
Less accumulated depreciation for:				
Technological Equipment	-	-	-	-
General Equipment	(168,950)	(9,787)	57,315	(121,422)
Total accumulated depreciation	<u>(168,950)</u>	<u>(9,787)</u>	<u>57,315</u>	<u>(121,422)</u>
Business Activities, net	<u>\$ 89,321</u>	<u>\$ (9,787)</u>	<u>\$ (3,077)</u>	<u>\$ 76,457</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$ 240,346
Support Services:	
Student	4,433
Instructional Staff	-
District Administration	-
School Administration	-
Business Support	-
Plant Operations & Maintenance	191,830
Student Transportation	54,814
Non-instructional	-
Total depreciation expense, governmental activities	\$ 491,424

NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2019
2008R	\$1,935,000	2.30% - 3.70%	11/1/2020	\$80,000
2012R	1,120,000	2.00%	5/1/2023	775,000
2013	1,400,000	0.08% - 3.00%	3/1/2033	1,040,000
2016	5,325,000	1.50% - 3.00%	12/1/2027	4,810,000
2017	3,750,000	3.00% - 3.625%	2/1/1937	3,670,000
2017R	1,350,000	3.00%	8/1/2028	1,315,000
	<u>\$14,880,000</u>			<u>\$11,690,000</u>

The bonds which may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are as follows:

Year	Berea Independent School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2020	\$572,453	\$262,115	\$212,547	\$62,357	\$1,109,473
2021	581,374	252,349	203,626	57,071	1,094,420
2022	589,705	241,939	175,295	52,105	1,059,044
2023	600,746	230,902	179,254	48,148	1,059,050
2024	617,609	213,791	162,391	43,725	1,037,516
2025-2029	3,384,496	776,255	805,504	151,301	5,117,556
2030-2034	1,851,025	400,894	468,975	59,056	2,779,950
2035-2037	1,178,288	85,029	106,712	7,784	1,377,813
	<u>\$9,375,696</u>	<u>\$2,463,273</u>	<u>\$2,314,304</u>	<u>\$481,547</u>	<u>\$14,634,821</u>

Defeased Bonds

In 2017, the District defeased Series 2008 School Building Revenue Bonds by depositing the proceeds of new debt into an irrevocable trust with an escrow agent for future debt service payments on \$1,295,000 of the 2008 Series bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$70,449. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, will be amortized to operations through 2029. As a result of this advance, the District obtained a net present value cash flow savings of \$111,477.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2019:

	06/30/18 Beginning Balance	Additions	Reductions	06/30/19 Ending Balance	Amounts Due Within One Year
Bonds	\$ 12,465,000	\$ -	\$ 775,000	\$ 11,690,000	\$ 785,000
Plus: Bond Premiums	152,846	-	15,359	137,487	-
Sick Leave	83,556	96,364	55,740	124,180	48,152
Total	<u>\$ 12,701,402</u>	<u>\$ 96,364</u>	<u>\$ 846,099</u>	<u>\$ 11,951,667</u>	<u>\$ 833,152</u>

NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 62,720
2021	31,722
2022	723
2023	723
2024	723
	<u>\$ 96,611</u>

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled \$62,720.

NOTE 7 - RETIREMENT PLAN

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

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

Plan Description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Plan Description (cont'd)

Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and the General Assembly of the Commonwealth has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Beginning in 2015, COLAs were suspended until the retirement funds reach 100% funded status.

Retirement benefits are calculated using factors for the number of years’ service multiplied by the “final compensation.” Reduced benefits are based on factors of both of these components. Again, the definitions of “final compensation” and the benefit factor for years’ of service depend on the Tier in which the member participates. Benefits in Tier 3, the cash balance plan, are limited to the accumulated contributions and earnings credited to the member’s account, similar to a defined contribution plan.

There are, however, minimum rates of return that are guaranteed and funded with employer contributions when actual earnings are less than these minimum rates.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

Tier 1	Final Compensation	Average of the highest 5 fiscal years
	Benefit Factor	2.2% prior to 8/1/2004 or 2% after 8/1/2004
	Interest on member accounts	2%
Tier 2	Final Compensation	5 complete fiscal years preceding retirement
	Benefit Factor	Scale of 1.1% to 2% based on number of years of service
	Interest on member accounts	2.50%
Tier 3	Final Compensation	N/A
	Benefit Factor	N/A
	Interest on member accounts	4% plus 75% of the 5 year geometric average earnings in excess of 4%
	Employer Pay Credit	4% of creditable compensation

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in a \$5,000 lump sum payment. The \$5,000 death benefit was also deleted in the 2018 changes to benefits.

- Death benefits before retirement are based on the member's eligibility for normal or early retirement at the time of death, or five years of service if the member is under the age of 55, or 144 months of service if the member is no longer working for a participating agency.
- If beneficiaries are eligible for benefits, they may choose a lifetime monthly benefit or a lump sum payment for an actuarial refund, or annuities for 5 or 10 years of monthly payments.
- If the beneficiary is not eligible for monthly benefits, a lump sum payment of the member's contributions and accumulated interest will be paid. Beneficiaries of Tier 3 members will also include the employer pay credit if the member has at least 5 years of service at the time of death.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

- If the member dies as a result of a duty-related death, the decedent's beneficiary will receive the higher of the normal death benefit or \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children.
- Dependent children also receive benefits for duty-related deaths as a monthly benefit equal to 10% of the member's monthly final rate of pay. But, dependent children benefits cannot total more than 40% of the monthly final rate of pay.

Contributions

Required contributions by the employee are based on the tier:

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

General information about the Kentucky Teachers' Retirement System ("KTRS")

Plan description

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

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service.

To qualify for monthly retirement benefits, payable for life, employees must either:

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

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

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Other Retirement Plans

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

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$105,185. The District does not contribute to these plans.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net CERS pension liability	\$	3,676,047
Commonwealth's proportionate share of the net KTRS pension liability associated with the District		21,201,128
	\$	24,877,175

The net pension liability for CERS was based on the total pension liability that was determined by an actuarial valuation as of June 30, 2018.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018 the District's proportion was .060359%. For the year ended June 30, 2019, the District recognized pension expense of \$295,626 (\$264,092 in Governmental funds and \$31,534 in Proprietary fund) related to CERS. The net pension liability for KTRS was based on the total pension liability that was measured as of June 30, 2018, determined by an actuarial valuation as of that date. The district recognized pension expense of \$2,561,400 related to KTRS. The District also recognized revenue of \$2,561,400 for KTRS support provided by the Commonwealth.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 119,902	\$ 53,810
Changes of assumptions	359,257	-
Net difference between projected and actual earnings on pension plan investments	170,939	215,017
Changes in proportion and differences between District contributions and proportionate share of contributions	23,333	180,826
District contributions subsequent to the measurement date	265,768	-
	<u>\$ 939,199</u>	<u>\$ 449,653</u>

\$265,768 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

Year ended June 30:

2020	\$236,611
2021	\$ 76,657
2022	\$ (69,759)
2023	\$ (19,731)
2024	\$ -

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.0%
Projected salary increases	3.30%-11.55% (varies by service)	3.5-7.3%
Investment rate of return, net of investment expense & inflation	6.25%	7.5%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. At the time of the last experience study, performed as of June 30, 2013, this mortality assumption provided 37% and 19% margin for future improvement for males and females, respectively. This will be reviewed again when the next experience investigation is conducted for the 2019 actuarial analysis.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females. The last experience study was performed for the period July 1, 2010 – June 30, 2015.

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (cont'd)

In May 2017, the Kentucky Retirement Systems Board of Trustees adopted a new asset allocation policy based on recommendations from the investment professionals serving as trustees on the Board, the actuarial valuation used a long-term expected rate of return determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS' investment trustees, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.0%</u>	

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Actuarial assumptions (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories*	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	<u>100.00%</u>	

**Includes High Yield, Non-US Developed Bonds, and Private Credit Strategies*

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in the actuarial assumptions or other inputs under GASBS No. 68.

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 4,627,763	\$ 3,676,047	\$ 2,878,676
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

Pension plan fiduciary net position

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans. The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

CERS Other Postemployment Benefits

Plan Description—CERS health insurance benefits are also subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2018 measurement period, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - CERS

At June 30, 2019, the District reported a liability of \$1,298,219 for its proportionate share of the collective net CERS OPEB liability. The total OPEB liability, net OPEB liability, and sensitivity information for CERS are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.064577%.

The amount recognized by the District as its proportionate share of the OPEB liability was \$1,071,627 as of June 30, 2019. For the year ended June 30, 2019, the District recognized OPEB expense of \$26,645.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 124,884
Changes of assumptions	214,020	2,476
Net difference between projected and actual earnings on OPEB plan investments	-	73,814
Changes in proportion and differences between District contributions and proportionate share of contributions	-	65,979
District contributions subsequent to the measurement date	86,186	-
	\$ 300,206	\$ 267,153

Of the total amount reported as deferred outflows of resources related to OPEB, \$86,186 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (8,745)
2021	\$ (8,745)
2022	\$ (8,745)
2023	\$ 5,591
2024	\$(21,840)
Thereafter	\$(10,650)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 11.55%, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

Mortality rates were based on the RP-2000 Combined Mortality Table updated with Scale BB from the year 2000 to the year 2013. Pre-retirement mortality male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%. Post-retirement mortality rates for females are set back one year. The RP-2000 Disabled Mortality Table is used for post-retirement mortality using the Scale BB projected to 2025. Male mortality rates are set back four years.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2013 valuation. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May and July 2017 for use with the June 30, 2018 valuation in order to reflect future economic expectations.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major class are summarized in the table below.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.0%</u>	

*Long-term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

Discount rate – The single discount rate of 5.85% for CERS-Nonhazardous was used to measure the total OPEB liability as of June 30, 2018. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System’s actuarial determined contributions, but any cost associated with the implicit subsidy is not paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

CERS Other Postemployment Benefits (cont'd)

	<u>1% Decrease</u> 4.85%		<u>Current Discount Rate</u> 5.85%		<u>1% Increase</u> 6.85%
District's proportionate share of net OPEB liability	\$ 1,391,871	\$	1,071,627	\$	798,837

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u> 6.5% decreasing to 4%		<u>Current Health Care Trend Rate</u> 7.5% decreasing to 5%		<u>1% Increase</u> 8.5% decreasing to 6%
District's proportionate share of net OPEB liability	\$ 797,837	\$	1,071,627	\$	1,394,346

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

KTRS Postemployment Health Care Benefits

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

Plan description—In addition to the pension benefits described in Note 7, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

KTRS Postemployment Health Care Benefits (cont'd)

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

Contributions—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

For the state's fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$2,887,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .083195%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	2,887,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		2,488,000
Total	\$	5,375,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$174,861 and revenue of \$173,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$	148,000
Changes of assumptions	40,000		-
Net difference between projected and actual earnings on OPEB plan investments	-		12,000
Changes in proportion and differences between District contributions and proportionate share of contributions	38,000		-
District contributions subsequent to the measurement date	155,335		-
	\$ 233,335	\$	160,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$155,335 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (17,000)
2021	\$ (17,000)
2022	\$ (17,000)
2023	\$ (12,000)
2024	\$ (13,000)
Thereafter	\$ (6,000)

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Additional Categories*	20.0%	3.3%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Cash	<u>1.0%</u>	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of MIF net OPEB liability	\$ 3,385,000	\$ 2,887,000	\$ 2,471,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

	1% Decrease		Current Health Care Trend Rate	1% Increase
	6.75%		7.75%	8.75%
	decreasing to 4%		decreasing to 5%	decreasing to 6%
District's proportionate share of net OPEB liability	\$ 2,394,000	\$	2,887,000	\$ 3,495,000

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

KTRS Postemployment Life Insurance Benefits

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

For the state’s fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system’s funded status. Although not actuarially required, these appropriations have been included in the State’s share of contributions for the actuarial measurement as of June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	-
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		43,000
	\$	43,000

The collective net OPEB liability for life insurance was based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the State's long-term share of contributions to the State's life insurance plan for District employees relative to the projected contributions for all employees, actuarially determined. For the year ended June 30, 2019, the District recognized OPEB expense of \$7,000 and revenue of \$7,000 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Additional Categories*	6.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Cash	<u>2.0%</u>	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
District's proportionate share of LIF net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2019, this amount totaled \$124,180.

NOTE 10- INSURANCE AND RELATED ACTIVITIES

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

NOTE 11 - CONTINGENCIES

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

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 - RISK MANAGEMENT (cont'd)

Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

NOTE 13 - COBRA

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

NOTE 14 - DEFICIT OPERATING/ FUND BALANCES

No funds are operating as a deficit fund balance at June 30, 2019. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balances:

General	\$488,169
District Activity	\$30,747

NOTE 15 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	KETS	\$ 20,736
Capital Outlay	Debt Service	Debt Service	\$ 14,308
Building	Debt Service	Debt Service	\$ 824,599

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2019, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$	1,665,381
Health & Life Insurance		1,203,839
Technology		66,469
Debt Service		<u>274,079</u>
Recognized at the Fund Level	\$	<u>3,209,768</u>
Additional pension & OPEB expense recognized at the Government-Wide Level	\$	<u>1,076,019</u>
Total On-Behalf	\$	<u><u>4,285,787</u></u>

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$	2,896,686
Food Service Fund		39,004
Debt Service Fund		<u>274,079</u>
Total	\$	<u><u>3,209,768</u></u>

NOTE 17 – LITIGATION

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

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through November 1, 2019, the date the financial statements were available to be issued.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

The District has determined that capital assets were overstated for the governmental funds and understated for the proprietary fund in the prior year.

Upon reconciliation of the capital asset detail to the financial statement balances it was discovered that governmental capital assets were overstated and the proprietary capital assets were understated. This was corrected in the current year resulting in the prior period adjustment as shown in the Government Wide Statement of Activities and the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 19 – PRIOR PERIOD ADJUSTMENTS (cont'd)

The adjustment affected beginning balances for the year ended June 30, 2019 as shown in the following table:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Governmental:</u>			
Net depreciated capital assets	\$ 16,175,830	\$(2,160,137)	\$14,015,693
Net investment in capital assets	\$ 3,695,760	\$(2,160,137)	\$ 1,535,623
<u>Proprietary:</u>			
Net depreciated capital assets	\$ 86,687	\$ 2,634	\$ 89,321
Net investment in capital assets	\$ 86,687	\$ 2,634	\$ 89,321

BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0.060359%	0.064577%	0.066680%	0.061560%	0.062587%
District's proportionate share of the net pension liability	\$ 3,676,047	\$ 3,779,890	\$ 3,823,108	\$ 2,646,907	\$ 2,030,500
District's covered-employee payroll	\$ 1,481,769	\$ 1,534,537	\$ 1,590,129	\$ 1,436,345	\$ 1,422,100
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.08%	246.32%	240.43%	184.28%	142.78%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 21,201,128	\$ 42,117,905	\$ 45,963,233	\$ 35,761,800	\$ 33,493,686
Total	<u>\$ 21,201,128</u>	<u>\$ 42,117,905</u>	<u>\$ 45,963,233</u>	<u>\$ 35,761,800</u>	<u>\$ 33,493,686</u>
District's covered-employee payroll	\$ 5,512,783	\$ 5,288,428	\$ 5,397,925	\$ 5,330,136	\$ 5,163,807
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	56.40%	54.60%	55.30%	53.60%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
Contractually required contribution	\$ 265,768	\$ 216,620	\$ 219,335	\$ 189,444	\$ 183,805	\$ 271,230
Contributions in relation to the contractually required contribution	<u>265,768</u>	<u>216,620</u>	<u>219,335</u>	<u>189,444</u>	<u>183,805</u>	<u>271,230</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,638,519	\$ 1,481,769	\$ 1,534,537	\$ 1,590,129	\$ 1,436,345	\$ 1,422,100
District's contributions as a percentage of its covered-employee payroll	16.22%	14.62%	14.29%	11.91%	12.80%	19.07%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,964,790	\$ 5,512,783	\$ 5,288,428	\$ 5,397,925	\$ 5,330,136	\$ 5,163,807
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date is on or after January 1, 2014

Changes of Assumptions -

The actuarially determined contribution rates are determined in an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The amortization period for the unfunded liability was reset as of July 1, 2013 to a closed 30-year period. For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2017 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	2.30%	3.25%
Salary Increase	3.3% to 11.55% varies by service), average, including Inflation	4% , average, including Inflation
Investment Rate of Return	6.25% , Net of Pension Plan Investment Expense, including Inflation	7.5% , Net of Pension Plan Investment Expense, including Inflation

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Benefit Terms - None

Changes of Assumptions:

The 2018 actuarial analysis for KTRS indicated that cash flows for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL
INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.060357%	0.064577%
District's proportionate share of the net OPEB liability	\$ 1,071,627	\$ 1,298,219
District's covered-employee payroll	\$ 1,481,769	\$ 1,534,537
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.083195%	0.081937%
District's proportionate share of the net OPEB liability	2,887,000	2,922,000
State's proportionate share of the net OPEB liability associated with the District	\$ 2,488,000	\$ 2,387,000
Total	<u>\$ 5,375,000</u>	<u>\$ 5,309,000</u>
District's covered-employee payroll	\$ 5,512,783	\$ 5,288,428
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	52.37%	55.25%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.18%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 86,186	\$ 70,312	\$ 74,369
Contributions in relation to the contractually required contribution	<u>86,186</u>	<u>70,312</u>	<u>74,369</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 1,638,519	\$ 1,481,769	\$ 1,534,537
District's contributions as a percentage of its covered-employee payroll	5.26%	4.75%	4.85%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ 155,335	\$ 148,196	\$ 140,381
Contributions in relation to the contractually required contribution	<u>155,335</u>	<u>148,196</u>	<u>140,381</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 5,180,692	\$ 5,512,783	\$ 5,288,428
District's contributions as a percentage of its covered-employee payroll	3.00%	2.69%	2.65%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes in actuarial assumptions:

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal bond index rate	3.56%
Discount rate	5.84%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

2017 Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE
INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Reporting Fiscal Year (Measurement Date)</u>	<u>Reporting Fiscal Year (Measurement Date)</u>
	2019 (2018)	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0%	0%
District's proportionate share of the net OPEB liability	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 43,000	\$ 32,000
Total	<u>\$ 43,000</u>	<u>\$ 32,000</u>
District's covered-employee payroll	\$ 5,512,783	\$ 5,288,428
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	79.99%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 5,180,692	\$ 5,512,783	\$ 5,288,428
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE
PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or

BEREA INDEPENDENT SCHOOL DISTRICT
SUPPLEMENTAL SCHEDULES

**BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	DEBT SERVICE FUND	CONSTRUCTION FUND	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ -	\$ 262,808	\$ 59,584	\$ 84,939	\$ 407,331
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 262,808</u>	<u>\$ 59,584</u>	<u>\$ 84,939</u>	<u>\$ 407,331</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 115	\$ 115
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>115</u>
FUND BALANCES:					
Restricted	-	262,808	59,584	84,824	407,216
TOTAL FUND BALANCES	<u>-</u>	<u>262,808</u>	<u>59,584</u>	<u>84,824</u>	<u>407,216</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 262,808</u>	<u>\$ 59,584</u>	<u>\$ 84,939</u>	<u>\$ 407,331</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	DEBT SERVICE FUND	CONSTRUCTION FUND	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 248,448	\$ -	\$ 248,448
Earnings on investments	-	1,638	1,105	-	2,743
Other student activity income	-	-	-	102,484	102,484
Intergovernmental - State	274,079	-	575,046	-	849,125
TOTAL REVENUES	<u>274,079</u>	<u>1,638</u>	<u>824,599</u>	<u>102,484</u>	<u>1,202,800</u>
Expenditures:					
Instruction	-	-	-	110,952	110,952
Instructional Support	-	-	-	8,139	8,139
Community Service	-	-	-	14,140	14,140
Debt Service	1,112,986	-	-	-	1,112,986
TOTAL EXPENDITURES	<u>1,112,986</u>	<u>-</u>	<u>-</u>	<u>133,231</u>	<u>1,246,217</u>
Excess (Deficit) of Revenues over Expenditures	(838,907)	1,638	824,599	(30,747)	(43,417)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	838,907	-	-	-	838,907
Operating transfers out	-	-	(824,599)	-	(824,599)
TOTAL OTHER FINANCING SOURCES (USES)	<u>838,907</u>	<u>-</u>	<u>(824,599)</u>	<u>-</u>	<u>14,308</u>
Net Change in Fund Balances	-	1,638	-	(30,747)	(29,109)
Fund balance beginning	\$ -	\$ 261,170	\$ 59,584	\$ 115,571	\$ 436,325
Fund balance ending	<u>\$ -</u>	<u>\$ 262,808</u>	<u>\$ 59,584</u>	<u>\$ 84,824</u>	<u>\$ 407,216</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SCHOOL ACTIVITIES FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances June 30, 2018	Receipts	Disbursements	Cash Balances June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Deposits Held in Custody for Students June 30, 2019
Berea Middle-High School	\$ 67,901	\$ 318,319	\$ 312,639	\$ 73,582	\$ -	\$ -	\$ 73,582
Berea Elementary School	<u>3,109</u>	<u>32,859</u>	<u>33,402</u>	<u>2,567</u>	<u>337</u>	<u>-</u>	<u>2,904</u>
	<u>\$ 71,011</u>	<u>\$ 351,179</u>	<u>\$ 346,041</u>	<u>\$ 76,148</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 76,485</u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BEREA MIDDLE-HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

ACCOUNTS:	Cash			Cash			Accounts Payable	Accounts Payable	Deposits Held in Custody for Students
	Balances June 30, 2018	Receipts	Disbursements	Balances June 30, 2019	Receivable June 30, 2019	June 30, 2019			
GENERAL ATHLETICS	\$ -	\$ 13,232	\$ 13,232	\$ -	\$ -	\$ -	\$ -	\$ -	
ATHLETIC-Student	-	8,507	5,077	3,430	-	-	-	3,430	
ATHLETIC REFEREES	-	-	-	-	-	-	-	-	
ATHLETIC TICKET SALES	1,000	30,907	31,907	-	-	-	-	-	
HS BASEBALL	664	5,759	4,596	1,826	-	-	-	1,826	
MS BASEBALL	1,680	533	2,214	-	-	-	-	-	
HS BOYS BASKETBALL	3,090	37,871	33,083	7,878	-	-	-	7,878	
MS BOYS BASKETBALL	774	1,843	2,617	-	-	-	-	-	
HS GIRLS BASKETBALL	7,639	38,741	39,641	6,739	-	-	-	6,739	
MS GIRLS BASKETBALL	1,387	921	2,309	-	-	-	-	-	
HS CHEER - REGULAR	1,019	5,024	4,379	1,665	-	-	-	1,665	
MS CHEER	503	1,300	1,803	-	-	-	-	-	
CROSS COUNTRY	4,834	9,086	10,724	3,196	-	-	-	3,196	
DANCE TEAM	60	-	-	60	-	-	-	60	
HS FOOTBALL	510	13,194	11,317	2,388	-	-	-	2,388	
MS FOOTBALL	1,171	2,055	3,226	-	-	-	-	-	
GOLF	1,930	748	1,434	1,244	-	-	-	1,244	
HS BOYS SOCCER	188	-	-	188	-	-	-	188	
MS BOYS SOCCER	1,760	2,005	3,765	-	-	-	-	-	
HS GIRLS SOCCER	2,882	10,100	9,908	3,075	-	-	-	3,075	
MS GIRLS SOCCER	318	1,361	1,679	-	-	-	-	-	
HS SOFTBALL	1,402	700	971	1,130	-	-	-	1,130	
MS SOFTBALL	536	180	716	-	-	-	-	-	
SWIM TEAM	266	200	325	142	-	-	-	142	
TENNIS	11	200	211	-	-	-	-	-	
TRACK	19	-	-	19	-	-	-	19	
VOLLEYBALL	1,724	5,086	4,458	2,352	-	-	-	2,352	
YARN CLUB	7	-	-	7	-	-	-	7	
LEGO CLUB	3	-	-	3	-	-	-	3	
LETTERMAN JACKETS	-	7,236	7,236	-	-	-	-	-	
MAJORETTES	112	-	-	112	-	-	-	112	
CULINARY CLUB	57	70	26	101	-	-	-	101	
BALFOUR GRADUATION	-	659	659	-	-	-	-	-	
ARCHERY	3,417	200	1,950	1,667	-	-	-	1,667	
PIRATE PANORAMA	-	-	-	-	-	-	-	-	
Field Trips	-	32	-	32	-	-	-	32	
HS Basketball Joint Acct	5,984	9,446	10,235	5,195	-	-	-	5,195	
MS FRISBEE CLUB	20	-	-	20	-	-	-	20	
MS VOLLEYBALL	-	380	380	-	-	-	-	-	
MS CROSS COUNTRY	50	-	50	-	-	-	-	-	
DISTRICT 44 BASEBALL	-	1,568	1,568	-	-	-	-	-	
6TH GRADE	365	509	874	-	-	-	-	-	
7TH GRADE	-	6	6	-	-	-	-	-	
8TH GRADE	271	1,968	2,240	-	-	-	-	-	
9TH GRADE (FRESHMAN)	610	-	339	271	-	-	-	271	
10TH GRADE (SOPHOMORE)	508	102	89	521	-	-	-	521	
11TH GRADE (JUNIOR)	191	3,705	3,896	-	-	-	-	-	
12TH GRADE (SENIOR)	500	348	848	-	-	-	-	-	
DESTINATION IMAGINATION-BAKER	-	-	-	-	-	-	-	-	
BAND	810	306	480	635	-	-	-	635	
HS CHORUS	105	385	195	295	-	-	-	295	
QUIDDITCH CLUB	-	27	-	27	-	-	-	27	
LIBRARY	-	40	40	-	-	-	-	-	
NEWSPAPER-JOURNALISM	452	-	165	287	-	-	-	287	
TECHNOLOGY DEPARTMENT	122	-	-	122	-	-	-	122	
4-H CLUB	199	-	-	199	-	-	-	199	
HS ACADEMIC TEAM	166	-	90	76	-	-	-	76	
ART CLUB	93	-	-	93	-	-	-	93	
HS BETA CLUB	986	1,990	2,108	869	-	-	-	869	
FBLA	172	6,726	6,536	363	-	-	-	363	
HS DRAMA CLUB	847	-	148	699	-	-	-	699	
HS FCA	156	-	-	156	-	-	-	156	

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BEREA MIDDLE-HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

ACCOUNTS:	Cash			Cash	Accounts	Accounts	Deposits
	Balances	Receipts	Disbursements				
	June 30,			June 30,	June 30,	June 30,	Students
	2018			2019	2019	2019	June 30,
							2019
FUTURE EDUCATORS OF AMERICA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HS FUTURE PROBLEM SOLVING	190	-	(25)	215	-	-	215
HS MARKETING - SCHOOL STORE	-	3,058	2,885	173	-	-	173
HS MUSIC HONOR SOCIETY	60	-	-	60	-	-	60
MUSICAL THEATER	1,264	775	33	2,007	-	-	2,007
SENIOR TRIP ACCOUNT	1,605	10,391	11,906	89	-	-	89
NATIONAL HONOR SOCIETY	74	658	732	-	-	-	-
HS SEED CLUB	42	-	-	42	-	-	42
SPANISH CLUB	189	-	-	189	-	-	189
HS STUDENT COUNCIL	656	1,814	1,522	948	-	-	948
STLP	235	-	101	134	-	-	134
UNITE CLUB	4	8	-	12	-	-	12
MS ACADEMIC TEAM	392	572	964	-	-	-	-
JR. BETA CLUB	1,727	-	1,727	-	-	-	-
MS DRAMA	351	1,125	1,476	-	-	-	-
MS FCA	-	-	-	-	-	-	-
MS SCIENCE CLUB	438	-	-	438	-	-	438
MS STUDENT COUNCIL	1,167	67	1,234	-	-	-	-
KEY CLUB & BUILDERS CLUB	328	-	248	80	-	-	80
MS FILM	575	466	1,041	-	-	-	-
HS FILM	318	63	-	381	-	-	381
HS BASS CLUB	244	-	-	244	-	-	244
MS PEP CLUB	218	-	-	218	-	-	218
HS PEP CLUB	277	-	93	184	-	-	184
ENVIRONMENTAL CLUB	82	-	-	82	-	-	82
STRATEGIC GAMES	349	59	-	408	-	-	408
LIGHTHOUSE TEAM	338	-	-	338	-	-	338
MS BOOK CLUB	10	-	-	10	-	-	10
MS ANIME CLUB	36	-	-	36	-	-	36
HS ANIME CLUB	78	-	-	78	-	-	78
CODE PINK	430	17	-	447	-	-	447
HS BOOK CLUB	104	-	-	104	-	-	104
MS GREENHOUSE CLUB	338	-	-	338	-	-	338
MS TRAVEL CLUB	2,180	43,859	46,039	-	-	-	-
HS WELLNESS CLUB	69	-	-	69	-	-	69
GSA	33	-	-	33	-	-	33
MS WELLNESS CLUB	27	-	-	27	-	-	27
DIFFERENT ABILITIES	578	670	810	438	-	-	438
STEM GIRLS	-	-	-	-	-	-	-
SCHOLARSHIP FUND	127	1,000	1,000	127	-	-	127
STEM	205	-	-	205	-	-	205
DESTINATION IMAGINATION-MONDINE	131	-	-	131	-	-	131
YEARBOOK	-	740	740	-	-	-	-
Student Testing	-	265	252	13	-	-	13
HS FEES	-	3,468	3,468	-	-	-	-
HS PARKING FEES	-	330	330	-	-	-	-
TEXTBOOK RENTAL/FEES	-	2,241	2,241	-	-	-	-
MS FEES	-	1,833	1,833	-	-	-	-
BC Shirt Factory	-	105	-	105	-	-	105
GENERAL OPERATING - STAFF	357	501	693	164	-	-	164
GENERAL OPERATING - STUDENT	24	17,545	1,548	16,021	-	-	16,021
MS/HS PICTURES	-	1,434	-	1,434	-	-	1,434
TARGET FIELD TRIP	11	-	-	11	-	-	11
OPERATION HAPPINESS	468	-	-	468	-	-	468
TOTALS	\$ 67,901	\$ 318,319	\$ 312,639	\$ 73,582	\$ -	\$ -	\$ 73,582

BEREA BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Passed Through Kentucky Department of Education			
United States Department of Agriculture			
<i>Child Nutrition Cluster-Cluster</i>			
National School Lunch Program			
National School Lunch Program	10.555	7750002-18	\$94,335
National School Lunch Program	10.555	7750002-19	352,876
National School Lunch Program	10.553	7760005-18	38,033
National School Lunch Program	10.553	7760005-19	139,214
National School Lunch Program	10.555	4000816	48,459
<i>Total Child Nutrition Cluster-Cluster</i>			<u>672,918</u>
Total United States Department of Agriculture			<u>672,918</u>
United States Department of Education			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education_Grants to States			
Special Education_Grants to States	84.027	3810002-17	236,017
Special Education_Grants to States	84.027	3810003-16	250,000
Special Education_Grants to States	84.027	3810002-18	197,438
Total Special Education_Grants to States			<u>683,455</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	3800003-18	3,427
Total Special Education_Preschool Grants			<u>3,427</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>686,882</u>
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3100002-18	284,121
Total Title I Grants to Local Educational Agencies			<u>284,121</u>
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	3710002-18	9,373
Career and Technical Education -- Basic Grants to States	84.048	3710002-17	358
Career and Technical Education -- Basic Grants to States	84.048	3710002-17	2,600
Total Career and Technical Education -- Basic Grants to States			<u>12,331</u>
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	3400002-17	120,844
Total Twenty-First Century Community Learning Centers			<u>120,844</u>
Gaining Early Awareness and Readiness for Undergraduate Programs			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379DC	86,994
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379DR	18,523
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379DD	78,971
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379DS	122,040
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379EF	4,443
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379EO	150,117
Total Gaining Early Awareness and Readiness for Undergraduate Programs			<u>461,088</u>

BEREA BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Rural Education			
Rural Education	84.358	3140002-18	20,069
Total Rural Education			<u>20,069</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002-18	4,475
Total Improving Teacher Quality State Grants			<u>4,475</u>
Striving Readers/Comprehensive Literacy Development			
Striving Readers/Comprehensive Literacy Development	84.371	SW371C170016	190,293
Total Striving Readers/Comprehensive Literacy Development			<u>190,293</u>
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	3420002-17	7,353
Student Support and Academic Enrichment Program	84.424	3420002-18	4,782
Total Student Support and Academic Enrichment Program			<u>12,135</u>
Total United States Department of Education			<u><u>1,792,238</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 2,465,156</u></u>

The accompanying notes are an integral part of this schedule

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Berea Independent School District under the programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Berea Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Berea Independent School District did not elect to use the 10% de minimus indirect cost rate.

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$48,459.

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

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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*

To the Kentucky State Committee for School District Audits
Members of the Board of Education
Berea Independent School District
Berea, KY 40403

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Berea Independent School District's basic financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Berea Independent School 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 Berea Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berea Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berea Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

We noted certain matters that we reported to management for the District in a separate letter dated November 1, 2019.

District's Response to Finding

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

In addition, the item mentioned above was an instance of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 1, 2019

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Kentucky State Committee for School District Audits
Members for the Board of Education
Berea Independent School District
Berea, KY 40403

Report on Compliance for Each Major Federal Program

We have audited the Berea Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Berea Independent School District's major federal programs for the year ended June 30, 2019. Berea Independent School 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Berea Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance 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 Berea Independent School 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 Berea Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Berea Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Berea Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Berea Independent School 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 the Uniform Guidance, 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 Berea Independent School 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Summers, McCrary & Sparks, PSC

Lexington, KY
November 1, 2019

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

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

Noncompliance material to financial
statements noted? X yes no

Federal Awards

Internal control over majority programs:

Material weakness(es) identified? yes X no

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

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

Any audit findings disclosed that are
required to be report in accordance
with 2 CFR section 200.516 (a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019-001 Publication

Condition: District did not publish notification of where the annual financial statements could be viewed by the public.

Criteria: Publication of financial statements of school systems – KRS 160.463

Cause: The District electronically published the annual financial statements on the district website, but did not publish notification of where the statements could be viewed in the newspaper of the largest circulation in the county.

Effect: Noncompliance with Kentucky Revised Statutes.

Recommendation: Notification of electronic publishing of the annual financial statements should be published in the local newspaper.

Views of Responsible Officials and Planned Corrective Actions:

District did post the AFR on the district website. The district will publish AFR and notice in the newspaper.

Section III – Federal Award Findings and Questioned Costs

There were no findings this year.

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2018-001 Single Salary Schedule

Condition: Employees not paid in accordance to the approved salary schedule

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: Some employees pay rates did not update in the payroll system for raise given in the year ended June 30, 2019.

Effect: Noncompliance with Kentucky Revised Statutes and underpayment of employees.

Recommendation: Finance personnel should ensure pay rates are updated and match the approved salary schedule.

Views of Responsible Officials and Planned Corrective Actions:

All salary tables were updated in Munis to reflect changes for the fiscal year that were board approved. However, all Group B/U rolled with an effective date of 7/1 and pulled in the new salary table amounts with exception of Subs. Due to rounding many of the salary table values for Subs remained the same but a few did change. Since Munis didn't roll the subs, the noted individuals were paid on the rate prior to a 1% increase. These folks received \$1 less per day than they should have. Munis reports for documentation were run and adjustments were included in the August 30th 2018 payroll to appropriately compensate these employees. Going forward we will add checks to the Subs salary tables to check all ranges on the approved salary schedules.

Current Status: The recommendation was adopted during the current year. No similar findings were noted in the 2019 audit.

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

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Members of the Board of Education
Berea Independent School District
Berea, Kentucky 40403

In planning and performing our audit of the financial statements of Berea Independent School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 1, 2019 on the financial statements of the Berea Independent School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Lexington, KY
November 1, 2019

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

BOARD

Comment: When performing audit procedures over capital assets it was noted that the balances per the balance sheet did not agree to the detail listing per the MUNIS fixed asset module.

Response: Fixed assets issues were noted from FY2018 during close of the year. Migration to a new version of MUNIS created some table issues where old fixed assets were not listing correctly in MUNIS and even prevented close of the fiscal year. A support ticket was created with Tyler and some table fixes were completed to allow close of the year. Over FY2019 fixed assets were reviewed and many old fixed assets were on the books from as long as 30 years ago. A ticket was placed with Tyler and a mass disposal/retirement was done on fixed assets to remove old entries. During this mass import process into MUNIS to retire/dispose some building and active equipment fixed asset entries were affected by improperly removing them or over depreciating very old assets. Tyler assisted in the reversal of incorrect asset disposal and retirement. However, after the cleanup of fixed assets some items were over depreciated or being extremely old had no initial values set in fixed asset entry. Fixed assets have been corrected but this creates a need for a journal entry to properly document the balances on the balance sheet as compared to detail listings in MUNIS.

ACTIVITY FUNDS

Berea Middle-High School

Comment: During our review of the cash disbursements we noted invoices were paid in excess of their approved purchase order amounts. We recommend the bookkeeper review the Expenditures section of the Redbook, which states the school treasurer shall match up the purchase order and vendor or standard invoice and verify that all amounts agree.

Response: Principal reviewed with bookkeeper. In the future invoices shall only be paid up to the purchase order and bookkeeper will verify the amounts agree from the invoices and purchase orders.

Comment: During our review of the cash disbursements we noted a cash advance was not documented on the proper form. We recommend the bookkeeper review the Cash Advance & Travel Reimbursements section of the Redbook, which states cash advances and expense reimbursement shall be supported by the Expense Report (Form F-SA-9).

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

Response: Principal reviewed with bookkeeper. In the future cash advances and expense reimbursement will be documented on the proper form as per Redbook.

Comment: During our review of cash receipts, we noted the inventory control worksheet was not being completed when selling inventory. We recommend the bookkeeper review the Receipts section of the Redbook, which states fundraiser activities such as concession, bookstores, pencil machines, and other activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5).

Response: Principal reviewed with bookkeeper. In the future inventory control worksheets will be completed when selling inventory and documented on the Inventory Control Worksheet. For all athletic related events the AD and Assistant AD's will assist in this process.

Comment: During our review of cash disbursements, we could not locate the invoice and purchase order for one item. We recommend the bookkeeper review the Expenditures section of the Redbook, which states after matching up the purchase order, shipping document and vendor or standard invoice, the school treasurer shall then file all documents for a disbursement together by month, in check numerical order.

Response: Principal reviewed with bookkeeper. In the future expenditures will be matched up the purchase order, shipping document and vendor or standard invoice, and then file all documents for a disbursement together by month, in numerical order.

Berea Elementary School

Comment: During our review of the end of year Accounts Receivable/Accounts Payable listing we found two accounts receivable not listed on the form. We recommend the school bookkeeper review the Monthly Reporting section of Appendix D - Recommended Report Review Procedures of the Redbook, which states receivables are any reimbursements submitted to the district office not reimbursed, or commissions/credits from vendors earned but not received by the end of the month.

Response: Bookkeeper is reviewing Redbook. Bookkeeper will be asked to attend Redbook training provided by KEDC in October 2019. On Campus Redbook training will be provided to all staff in November 2019.

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

Comment: During our review of Booster activity, we noted the PTO budget for the school year was not submitted to the Principal. We recommend the Principal and Superintendent should review the External Support/Booster Organizations section of the Redbook, which states each external support/booster organization must submit an annual external support/booster originations budget worksheet (Form F-SA-4B) to the principal within the first thirty days of the school year or within thirty days of the first transaction.

Response: Names of club officers will be submitted by September 15th each year. A copy of the annual budget will be received within the first 30 days of the school year. An annual financial report will be received by July 25 for year ending June 30.

STATUS OF PRIOR YEAR COMMENTS

Berea Middle-High School

- Previously, during our review of cash disbursements, we found two instances where the check number was not noted on the invoice when it was paid. We recommended the bookkeeper review the "Expenditures" section of the "Redbook", which states that the check number and date paid shall be noted on the invoice. No similar findings occurred in the current year.