

Berea Independent School District
Audited Financial Statements
and Required Supplementary Information
June 30, 2022

DRAFT

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

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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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Berea Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berea Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berea Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berea Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-10 and 64-73 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the 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 solely 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 the effectiveness of the Berea Independent School District's 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 Berea Independent School District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
October 12, 2022

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$11,798,083 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$11,870,835 in General Fund expenditures with an ending fund balance of \$3,225,320.
- Total governmental funds revenue was \$17,402,889 with expenditures of \$16,984,000 an ending fund balance of \$4,860,323.
- Berea Independent School’s enrollment was 1,057 students in the 2021-2022 fiscal year. District’s membership has remained mostly the same for the last 3 years. With the inception of the Pinnacle Academy at Berea Community High School, students have the opportunity to take a variety of courses in various career pathways. The Pinnacle Academy has partnered with over thirty community business and industry leaders to create internships and advisory councils for the various pathways, which will result in employment opportunities and micro credentials for our students after graduation. In addition, the Pinnacle Academy is working with several postsecondary institutions to offer dual credit courses in various career pathways. It is the goal of the Pinnacle Academy for all students to be college and career-ready and to provide opportunities for students that will prepare them for the next phase of life after high school. Berea Community Schools (Pinnacle Academy) was awarded \$140,973 through state (LAVEC) funding to further develop and support each of the established pathways. Additional funding will be provided by the state based on the 2022-2023 school year (amount to be determined).
- Berea Independent sustained a stable financial status attributed to conservative spending practices. During the school year a number of lighting projects were completed to address aging light fixtures and more efficient energy use with LED fixtures that includes updates to lights in the Singleton and Conkin gyms, student and school building lights, car loop, awning and employee parking lot lights. The district demolished 2 outside buildings that were no longer inhabitable in preparation of a buildings and grounds project to construct a multipurpose facility for band, sports and therapy services. Further the district completely replaced one of the gym floors alongside multiple other carpet and tile projects, touchless water fountain installations and many other facility repairs and upgrades. Berea Independent completed new projects replacing the school(s) intercom among other safety systems. It is evident the Board has effectively and efficiently managed the resources and at the same time continues to make progress toward education proficiency.
- Our primary financial concern continues to be state funding as we continue to use 2018-2019 ADA funding. Beginning in 2022-2023 ADA data will establish funding for 2023-2024. It will be important in the coming years that the General Assembly increase funding allocated through base SEEK and increase the SEEK add-on rates for exceptional children and those with Limited English Proficiency to address the growth in both these populations. Berea Independent will maintain fiscally responsible policies to continue to provide quality academic, extra-curricular and community service programs to all students.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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. 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) and operating revenues (business type 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 are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-12 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 two categories: governmental and proprietary funds. The only proprietary funds are our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 13-21 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 22-63 of this report.

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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 \$880,844 more than liabilities plus deferred inflows of resources as of June 30, 2022, as compared to a negative \$580,628 at June 30, 2021. The prior year net position was revised due to the implementation of GASBS No.87, *Leases* and has been restated from a negative \$579,909 to a negative \$580,628. This guidance requires recognition of an intangible right-to-use asset for property leased by the District along with a lease liability. The District recognized the following for the implementation and current year transactions for these leases:

	Fund	Intangible Right-to-Use Asset	Accumulated Amortization	Lease Liability
Copier lease	General	\$ 97,676	\$ 38,663	\$ 60,407

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves 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 11 in the statement of net position, government wide basis.

Net position for the years ending June 30, 2022 and 2021

	2022	2021	Change
Current Assets	\$ 5,740,270	\$ 4,771,274	\$ 968,996
Noncurrent Assets	12,308,837	12,779,707	(470,870)
Total Assets	18,049,107	17,550,981	498,126
Deferred Outflows of Resources	1,984,608	2,050,415	(65,807)
Current Liabilities	1,386,935	984,572	402,363
Noncurrent Liabilities	14,589,846	17,228,009	(2,638,163)
Total Liabilities	15,976,781	18,212,581	(2,235,800)
Deferred Inflows of Resources	3,176,090	1,968,724	1,207,366
Net Position			
Investment in capital assets (net)	2,942,849	2,713,041	229,808
Restricted	1,838,810	1,515,181	323,629
Unrestricted	(3,900,815)	(4,808,131)	907,316
Total Net Position	\$ 880,844	\$ (579,909)	\$ 1,460,753

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

The following table presents a summary of changes in net position for the fiscal years ended June 30, 2022 and 2021, Governmental Wide Basis.

	Net Change in Position					
	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Local revenue sources	3,565,833	\$3,306,334	5,624	306,365	\$3,571,457	\$3,612,699
State revenue sources	6,842,514	7,201,760	40,885	46,225	6,883,399	7,247,985
Federal revenue sources	3,546,545	2,516,084	769,495	72,785	4,316,040	2,588,869
Investments	37,054	37,753	3,667	4,757	40,721	42,510
Total Revenue	13,991,946	13,061,931	819,671	430,132	14,811,617	13,492,063
Expenses:						
Instruction	8,523,665	8,200,576	-	-	8,523,665	8,200,576
Student support services	352,475	356,784	-	-	352,475	356,784
Instructional support	366,913	399,383	-	-	366,913	399,383
District administration	558,427	531,734	-	-	558,427	531,734
School administration	576,610	553,374	-	-	576,610	553,374
Business support	402,717	438,389	-	-	402,717	438,389
Plant operations	1,176,282	971,560	-	-	1,176,282	971,560
Student transportation	376,189	158,803	-	-	376,189	158,803
Community service	26,685	90,749	-	-	26,685	90,749
Interest on long-term debt	74,338	311,699	-	-	74,338	311,699
Food service	299,138	43,256	616,706	660,878	915,844	704,134
Total Expenses	12,733,439	12,056,307	616,706	660,878	13,350,145	12,717,185
Transfers	-	14,600	-	(14,600)	-	-
Change in net position	1,258,507	1,020,224	202,965	(245,346)	1,461,472	774,878
Beginning net position	(506,489)	(1,676,216)	(73,420)	162,288	(579,909)	(1,513,928)
Prior period adjustment	(719)	149,503	-	9,638	(719)	159,141
Beginning net position restated	(507,208)	(1,526,713)	(73,420)	171,926	(580,628)	(1,354,787)
Ending net position	\$751,299	(\$506,489)	\$129,545	(\$73,420)	\$880,844	(\$579,909)

Governmental Activities

Instruction comprises 67% of governmental program expenses. Plant Operations expense makes up 9% of government expenses. District and School Administration total 9% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 15% of total governmental expense.

Business-Type Activities

The business-type activities include the food service operations. This program had total revenues of \$819,671 and expenses of \$616,706 for the fiscal year. Of the revenues, \$13,816 was charges for services, and \$810,380 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, 2022**

FUND FINANCIAL ANALYSIS

The following table presents a summary of operations, 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, 2022

	GENERAL FUND	SPECIAL REVENUE FUND	SEEK CAPITAL OUTLAY FUND	FOOD SERVICE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 2,236,592	\$ -	\$ -	\$ -
Motor vehicle	208,241	-	-	-
Utilities	551,540	-	-	-
Tuition & fees	7,706	-	-	-
Earnings on investments	29,335	-	-	3,667
Other local revenues	37,366	48,161	-	13,816
Gain (Loss) on sale of equipment	-	-	-	(8,192)
Intergovernmental - state	8,682,014	593,823	100,694	40,885
Intergovernmental - federal	45,289	3,501,256	-	769,495
TOTAL REVENUES	<u>11,798,083</u>	<u>4,143,240</u>	<u>100,694</u>	<u>819,671</u>
EXPENDITURES:				
Instruction:	7,818,180	3,681,735	-	-
Support Services:				
Student	440,175	43,095	-	-
Instructional staff	436,274	74,242	-	-
District administration	613,365	-	-	-
School administration	779,331	-	-	-
Business	434,953	-	-	-
Plant operations and maintenance	982,410	29,185	-	-
Student transportation	313,518	9,078	-	-
Food Service	26,685	-	-	616,706
Community Service	-	82,737	-	-
Debt Service	25,944	-	-	-
TOTAL EXPENDITURES	<u>11,870,835</u>	<u>3,920,072</u>	<u>-</u>	<u>616,706</u>
Excess (Deficit) of Revenues over Expenditures	\$ <u>(72,752)</u>	\$ <u>223,168</u>	\$ <u>100,694</u>	\$ <u>202,965</u>

**BEREA INDEPENDENT SCHOOL DISTRICT – BEREA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

For the Year ending June 30, 2021

	GENERAL FUND	SPECIAL REVENUE FUND	SEEK CAPITAL OUTLAY FUND	FOOD SERVICE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 1,964,239	\$ -	\$ -	\$ -
Motor vehicle	173,399	-	-	-
Utilities	449,823	-	-	-
Earnings on investments	32,366	-	-	4,757
Tuition & fees	-	-	-	-
Other local revenues	240,820	99,067	-	306,365
Intergovernmental - state	8,183,724	624,988	96,252	46,225
Intergovernmental - federal	25,101	2,490,983	-	72,785
TOTAL REVENUES	<u>11,069,472</u>	<u>3,215,038</u>	<u>96,252</u>	<u>430,132</u>
EXPENDITURES:				
Instruction:	6,943,335	3,042,719	-	-
Support Services:				
Student	420,280	43,095	-	-
Instructional staff	494,153	2,915	-	-
District administration	556,191	-	-	-
School administration	684,437	-	-	-
Business	436,763	-	-	-
Plant operations and maintenance	757,670	671	-	-
Student transportation	70,823	5,818	-	-
Food Service	43,256	-	-	660,878
Community Service	-	82,737	-	-
Non-Instructional	-	-	-	-
Capital outlay	228,465	-	-	-
TOTAL EXPENDITURES	<u>10,635,373</u>	<u>3,177,955</u>	<u>-</u>	<u>660,878</u>
Excess (Deficit) of Revenues over Expenditures	\$ <u>434,099</u>	\$ <u>37,083</u>	\$ <u>96,252</u>	\$ <u>(230,746)</u>

Capital Assets

At June 30, 2022, the School District’s investment in capital assets for its governmental and business-type activities was \$12,308,837, including the right-to-use leased assets that were recognized with the implementation of GASBS No. 87, *Leases*, in FY 2022, representing a decrease of \$470,870 net of depreciation.

Debt

At June 30, 2022, the School District had \$9,415,407 in debt outstanding, including leases that were recognized with the implementation of GASBS No. 87, *Leases*, in FY 2022, plus a premium of 77,841; of this amount \$1,722,836 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$804,466 is due within one year.

Comments on Budget Comparisons

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being \$1,111,995 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being \$1,827,226 less than budget. The District’s total general fund revenues for the fiscal year ended June 30, 2022, before interfund transfers, was \$11,798,083, an increase of \$728,611 from the total revenues of \$11,069,472 for 2021.

**BEREA INDEPENDENT SCHOOL DISTRICT – BERE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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 \$1,035,250 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.

DRAFT

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 4,394,423	\$ 379,479	\$ 4,773,902
Accounts receivable			
Taxes	78,174	-	78,174
Accounts	5,541	-	5,541
Intergovernmental - federal	868,503	-	868,503
Inventory	-	14,150	14,150
Total Current Assets	5,346,641	393,629	5,740,270
Noncurrent Assets			
Non-depreciated capital assets	11,000	-	11,000
Net depreciated capital assets	12,190,571	48,253	12,238,824
Net intangible right-to-use asset	59,013	-	59,013
Total Noncurrent Assets	12,260,584	48,253	12,308,837
TOTAL ASSETS	17,607,225	441,882	18,049,107
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	125,866	-	125,866
Pension - CERS	482,836	31,084	513,920
OPEB - CERS	483,296	48,095	531,391
OPEB - KTRS	813,431	-	813,431
Total deferred outflows of resources	1,905,429	79,179	1,984,608
LIABILITIES:			
Current Liabilities			
Accounts payable	4,966	-	4,966
Accrued salaries and withholdings payable	53,620	-	53,620
Accrued Interest Expense	80,644	-	80,644
Current portion of accrued sick leave	15,507	-	15,507
Current portion of lease liabilities	24,466	-	24,466
Unearned revenue	427,732	-	427,732
Current portion of bond obligations	780,000	-	780,000
Total Current Liabilities	1,386,935	-	1,386,935
Noncurrent Liabilities			
Noncurrent portion of bond obligations	8,652,841	-	8,652,841
Noncurrent portion of accrued sick leave	190,798	-	190,798
Noncurrent portion of lease liabilities	35,941	-	35,941
Net pension liability - CERS	2,837,827	99,624	2,937,451
Net OPEB liability - CERS	780,113	101,702	881,815
Net OPEB liability - KTRS	1,891,000	-	1,891,000
Total Noncurrent Liabilities	14,388,520	201,326	14,589,846
TOTAL LIABILITIES	15,775,455	201,326	15,976,781
DEFERRED INFLOWS OF RESOURCES:			
Pension - CERS	984,185	128,911	1,113,096
OPEB - CERS	643,715	61,279	704,994
OPEB - KTRS	1,358,000	-	1,358,000
Total deferred inflow of resources	2,985,900	190,190	3,176,090
NET POSITION			
Net Investment in Capital Assets	2,894,596	48,253	2,942,849
Restricted - Capital Projects	1,445,181	-	1,445,181
Restricted - Other Purposes	-	393,629	393,629
Unrestricted	(3,588,478)	(312,337)	(3,900,815)
TOTAL NET POSITION	\$ 751,299	\$ 129,545	\$ 880,844

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 8,523,665	\$ 7,706	\$ 3,601,531	\$ -	\$ (4,914,428)	\$ -	\$ (4,914,428)
Support Services:							
Student	352,475	-	-	-	(352,475)	-	(352,475)
Instructional staff	366,913	-	-	-	(366,913)	-	(366,913)
District administration	558,427	-	-	-	(558,427)	-	(558,427)
School administration	576,610	-	-	-	(576,610)	-	(576,610)
Business	402,717	-	-	-	(402,717)	-	(402,717)
Plant operations and maintenance	1,176,282	-	-	-	(1,176,282)	-	(1,176,282)
Student transportation	376,189	-	-	-	(376,189)	-	(376,189)
Food service	26,685	-	-	-	(26,685)	-	(26,685)
Community service	74,338	-	-	-	(74,338)	-	(74,338)
Interest on long-term debt	299,138	-	-	227,400	(71,738)	-	(71,738)
Total Governmental Activities	12,733,439	7,706	3,601,531	227,400	(8,896,802)	-	(8,896,802)
Business-Type Activities:							
Lunchroom sales	616,706	13,816	810,380	-	-	207,490	207,490
Total Primary Government	\$ 13,350,145	\$ 21,522	\$ 4,411,911	\$ 227,400	\$ (8,896,802)	\$ 207,490	\$ (8,689,312)
General Revenues:							
Taxes:							
Property					\$ 2,509,418	\$ -	\$ 2,509,418
Motor vehicle					208,241	-	208,241
Utilities					551,540	-	551,540
State aid formula grants					6,615,111	-	6,615,111
Interest and investment earnings					37,054	3,667	40,721
Loss on disposal					-	(8,192)	(8,192)
Other local revenues					233,945	-	233,945
Transfers					-	-	-
Total General Revenues					10,155,309	(4,525)	10,150,784
Change in Net Position					1,258,507	202,965	1,461,472
Net Position beginning					(506,489)	(73,420)	(579,909)
Prior Period Adjustment					(719)	-	(719)
Total Net Position beginning restated					(507,208)	(73,420)	(580,628)
Net Position ending					\$ 751,299	\$ 129,545	\$ 880,844

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	SEEK CAPITAL OUTLAY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 2,754,023	\$ -	\$ 989,279	\$ 651,121	\$ 4,394,423
Interfund receivable	439,185	-	-	-	439,185
Accounts receivable					
Taxes	78,174	-	-	-	78,174
Accounts	5,541	-	-	-	5,541
Intergovernmental - federal	2,017	866,486	-	-	868,503
TOTAL ASSETS	\$ 3,278,940	\$ 866,486	\$ 989,279	\$ 651,121	\$ 5,785,826
LIABILITIES:					
Interfund payable	\$ -	\$ 439,185	\$ -	\$ -	\$ 439,185
Accounts payable	-	-	-	4,966	4,966
Accrued salaries and withholdings payable	53,620	-	-	-	53,620
Unearned revenue	-	427,732	-	-	427,732
TOTAL LIABILITIES	53,620	866,917	-	4,966	925,503
FUND BALANCES:					
Restricted					
Capital projects	-	-	989,279	455,902	1,445,181
Assigned	22,746	-	-	190,253	212,999
Unassigned	3,202,574	(431)	-	-	3,202,143
TOTAL FUND BALANCES	3,225,320	(431)	989,279	646,155	4,860,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,278,940	\$ 866,486	\$ 989,279	\$ 651,121	\$ 5,785,826

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, 2022

Total Governmental Fund Balances	\$ 4,860,323
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.	12,260,584
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	
Deferred loss on refunding	125,866
Pension - CERS	482,836
OPEB - CERS	483,296
OPEB - KTRS	813,431
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 - CERS	(2,837,827)
Net OPEB liability - CERS	(780,113)
Net OPEB liability - KTRS	(1,891,000)
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 - CERS	(984,185)
OPEB - CERS	(643,715)
OPEB - KTRS	(1,358,000)
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	(9,432,841)
Lease liabilities	(60,407)
Accrued interest	(80,644)
Accrued sick leave	(206,305)
Net Position of Governmental Activities	\$ <u><u>751,299</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, 2022

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	SEEK CAPITAL OUTLAY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 2,236,592	\$ -	\$ -	\$ 272,826	\$ 2,509,418
Motor vehicle	208,241	-	-	-	208,241
Utilities	551,540	-	-	-	551,540
Tuition	7,706	-	-	-	7,706
Earnings on investments	29,335	-	-	7,719	37,054
Other local revenues	37,366	48,161	-	203,401	288,928
Intergovernmental - state	8,682,014	593,823	100,694	876,926	10,253,457
Intergovernmental - federal	45,289	3,501,256	-	-	3,546,545
TOTAL REVENUES	<u>11,798,083</u>	<u>4,143,240</u>	<u>100,694</u>	<u>1,360,872</u>	<u>17,402,889</u>
EXPENDITURES:					
Current:					
Instruction:	7,818,180	3,681,735	-	129,802	11,629,717
Support Services:					
Student	440,175	43,095	-	-	483,270
Instructional staff	436,274	74,242	-	-	510,516
District administration	613,365	-	-	-	613,365
School administration	779,331	-	-	-	779,331
Business	434,953	-	-	-	434,953
Plant operations and maintenance	982,410	29,185	-	-	1,011,595
Student transportation	313,518	9,078	-	-	322,596
Food service	26,685	-	-	-	26,685
Community service	-	82,737	-	4,247	86,984
Debt service	25,944	-	-	1,059,044	1,084,988
TOTAL EXPENDITURES	<u>11,870,835</u>	<u>3,920,072</u>	<u>-</u>	<u>1,193,093</u>	<u>16,984,000</u>
Excess (Deficit) of Revenues over Expenditures	<u>(72,752)</u>	<u>223,168</u>	<u>100,694</u>	<u>167,779</u>	<u>418,889</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	258,390	21,145	-	831,644	1,111,179
Operating transfers out	(21,145)	(244,744)	-	(845,290)	(1,111,179)
Issuance of debt	-	-	-	-	-
Other financing uses	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>237,245</u>	<u>(223,599)</u>	<u>-</u>	<u>(13,646)</u>	<u>-</u>
Net Change in Fund Balances	164,493	(431)	100,694	154,133	418,889
Fund Balance - beginning of year	<u>3,060,827</u>	<u>-</u>	<u>888,585</u>	<u>492,022</u>	<u>4,441,434</u>
Fund Balance - end of year	<u>\$ 3,225,320</u>	<u>\$ (431)</u>	<u>\$ 989,279</u>	<u>\$ 646,155</u>	<u>\$ 4,860,323</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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 418,889
Amounts reported for governmental activities in the statement of activities are different because:	
Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:	
Amortization bond premium/discount	(5,309)
The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.	
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 depreciation expense exceeds capital outlays for the year.	
Amortization of intangible right-to-use assets	(24,419)
Depreciation expense	(511,808)
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest	2,415
Sick leave	(29,244)
Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.	
KTRS on-behalf revenue	(3,410,947)
KTRS on-behalf pension expense	3,357,947
KTRS on-behalf OPEB expense	53,000
Pension expense - CERS	326,229
OPEB expense - CERS	60,026
OPEB expense - KTRS	232,984
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.	
	<u>788,744</u>
Change in Net Position of Governmental Activities	<u>\$ 1,258,507</u>

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
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL FUND			VARIANCE
	BUDGETED AMOUNTS			Favorable
	ORIGINAL	FINAL	ACTUAL	(Unfavorable)
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,724,450	\$ 1,724,450	\$ 2,236,592	\$ 512,142
Motor vehicle	155,000	145,000	208,241	63,241
Utilities	461,250	461,250	551,540	90,290
Tuition & fees	5,125	10,000	7,706	(2,294)
Earnings on investments	12,813	12,813	29,335	16,522
Other local revenues	62,355	7,175	37,366	30,191
Intergovernmental - state	7,712,400	8,312,400	8,682,014	369,614
Intergovernmental - indirect federal	25,000	13,000	45,289	32,289
TOTAL REVENUES	10,158,393	10,686,088	11,798,083	1,111,995
EXPENDITURES:				
Current:				
Instruction:	7,990,924	8,076,962	7,818,180	258,782
Support Services:				
Student	389,724	457,599	440,175	17,424
Instructional staff	415,920	469,320	436,274	33,046
District administration	1,713,287	1,985,457	613,365	1,372,092
School administration	617,494	686,369	779,331	(92,962)
Business	306,539	384,382	434,953	(50,571)
Plant operations and maintenance	1,109,524	1,238,796	982,410	256,386
Student transportation	357,022	365,022	313,518	51,504
Food service	60,134	34,154	26,685	7,469
Debt service	-	-	25,944	(25,944)
TOTAL EXPENDITURES	12,960,568	13,698,061	11,870,835	1,827,226
Excess (Deficit) of Revenues over Expenditures	(2,802,175)	(3,011,973)	(72,752)	2,939,221
OTHER FINANCING SOURCES (USES):				
Operating transfers in	3,400	229,168	258,390	29,222
Operating transfers out	(21,000)	(21,000)	(21,145)	(145)
TOTAL OTHER FINANCING SOURCES (USES)	(17,600)	208,168	237,245	29,077
Net Change in Fund Balance	(2,819,775)	(2,803,805)	164,493	2,968,298
Fund Balance beginning	2,819,775	2,819,775	3,060,827	241,052
Fund Balance ending	\$ -	\$ 15,970	\$ 3,225,320	\$ 3,209,350

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
FOR THE YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUND			VARIANCE
	BUDGETED AMOUNTS			Favorable
	ORIGINAL	FINAL	ACTUAL	(Unfavorable)
REVENUES:				
From Local Sources:				
Earnings from Investments	\$ -	\$ -	\$ -	\$ -
Other local revenues	16,761	54,782	48,161	(6,621)
Intergovernmental - state	503,244	692,017	593,823	(98,194)
Intergovernmental - indirect federal	2,979,545	3,613,887	3,501,256	(112,631)
TOTAL REVENUES	3,499,550	4,360,686	4,143,240	(217,446)
EXPENDITURES:				
Current:				
Instruction:	3,544,016	3,936,008	3,681,735	254,273
Support Services:				
Student	43,095	43,095	43,095	-
Instructional staff	16,105	75,017	74,242	775
Plant operations and maintenance	29,857	-	29,185	(29,185)
Student transportation	-	-	9,078	(9,078)
Community Services	82,737	82,737	82,737	-
TOTAL EXPENDITURES	3,715,810	4,136,857	3,920,072	216,785
Excess (Deficit) of Revenues over Expenditures	(216,260)	223,829	223,168	(661)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	(18,905)	(21,145)	21,145	(42,290)
Operating transfers out	10,942	(227,069)	(244,744)	17,675
TOTAL OTHER FINANCING SOURCES (USES)	(7,963)	(248,214)	(223,599)	(24,615)
Net Change in Fund Balance	(224,223)	(24,385)	(431)	(23,954)
Fund Balance beginning	-	-	-	-
Fund Balance ending	\$ (224,223)	\$ (24,385)	\$ (431)	\$ (23,954)

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	<u>FOOD SERVICE FUND</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 379,479
Accounts receivable	-
Inventory	14,150
Total Current Assets	<u>393,629</u>
Noncurrent Assets	
Machinery & equipment	189,988
Accumulated depreciation	(141,735)
Total Noncurrent Assets	<u>48,253</u>
TOTAL ASSETS	<u>441,882</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension - CERS	31,084
OPEB - CERS	48,095
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>79,179</u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	-
Total Current Assets	<u>-</u>
Noncurrent Liabilities	
Net Pension Liability - CERS	99,624
Net OPEB Liability - CERS	101,702
Total Noncurrent Liabilities	<u>201,326</u>
TOTAL LIABILITIES	<u>201,326</u>
DEFERRED INFLOW OF RESOURCES	
Pension - CERS	128,911
OPEB - CERS	61,279
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>190,190</u>
NET POSITION:	
Net Investment in Capital Assets	48,253
Restricted	393,629
Unrestricted	(312,337)
TOTAL NET POSITION	<u>\$ 129,545</u>

See Accompanying Notes to the Financial Statements

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 13,816
Other operating revenue	-
TOTAL OPERATING REVENUES	<u>13,816</u>
OPERATING EXPENSES:	
Salaries and wages	178,317
Employee benefits	52,098
Contract services	11,550
Materials and supplies	362,672
Miscellaneous	2,186
Depreciation	9,883
TOTAL OPERATING EXPENSES	<u>616,706</u>
Operating Income (Loss)	(602,890)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	724,922
Federal commodities	44,573
State grants	40,885
Interest income	3,667
Gain (Loss) on sale of equipment	(8,192)
NON-OPERATING REVENUES (EXPENSES)	<u>805,855</u>
Change in Net Position	202,965
Total Net Position beginning	<u>(73,420)</u>
Total Net Position ending	<u><u>\$ 129,545</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, 2022

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 13,816
Cash paid to suppliers	(331,835)
Cash paid to employees	(240,465)
Net Cash Provided (Used) by Operating Activities	(558,484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Governmental grants	733,295
Net Cash Provided (Used) by Noncapital Financing Activities	733,295
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	3,667
Net Cash Provided (Used) by Investing Activities	3,667
Net Increase (Decrease) in Cash and Cash Equivalents	178,478
Cash and cash equivalents beginning	201,001
Cash and cash equivalents ending	\$ 379,479
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (602,890)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:	
Depreciation	9,883
On-behalf payments	32,512
Donated commodities	44,573
Changes in Assets and Liabilities:	
Accounts receivable	-
Inventory	-
Accounts payable	-
Net pension liability	(114,533)
Net OPEB liability	(40,285)
Deferred outflows	30,829
Deferred inflows	81,427
Net Cash Provided (Used) by Operating Activities	\$ (558,484)
Non-cash Items:	
On-behalf payments	\$ 32,512
Donated commodities	\$ 44,573

See Accompanying Notes to the Financial Statements

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berea Independent School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

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 Parent-Teacher Associations, School-Based Decision-Making Councils, and Family Resource Centers.

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. The Corporation is blended into the District's financial statements.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

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

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. 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.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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 Funds account 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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- 3) The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2020 after the District implemented GASBS No. 84, *Fiduciary Activity*. 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:

- 1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK), Fund 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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$0.95 per \$100 valuation for real property, \$0.984 per \$100 valuation for business personal property and \$0.591 per \$100 valuation for motor vehicles.

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

Cash and Cash Equivalents

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

Inventory

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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital Assets (Cont'd)

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

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	12	years
Furniture and fixtures	20	years
Rolling Stock	15	years
Other	10	years

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 "accrued sick leave" 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, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end 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.

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.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources.

Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the 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. Both systems publish separate financial statements as described in Note 6.

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 7.

Fund Balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the Construction, SEEK Capital Outlay, and FSPK Building funds are restricted for capital projects with a total of \$1,445,181 at June 30, 2022.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Balances (Cont'd)

- *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, which is a resolution.
- *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, 2022, the District assigned \$212,999 for the FY2023 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.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus 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.

BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 6 and 7), 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 6 and 7).

New Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New Accounting Pronouncements (Cont'd)

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 became effective for the District beginning with its year ending June 30, 2022. Management determined the implementation of this standard did not have a material effect on its financial statements for the year ended June 30, 2022.

In January 2021, the GASB issued Statement No. 92, *Omnibus 2021* (GASB 92). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions became effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District's financial statements. Management determined the implementation of the remaining provisions of this Statement did not have a material effect on its financial statements for the year ended June 30, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District will review its current IT subscription services to evaluate the impact of this standard, but since the recognized value for the intangible assets is generally the same as the corresponding subscription liability, there will be minimal financial impact for the District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for fiscal years beginning after June 15, 2021 (457 plan reporting). This standard replaces the guidance in GASBS No. 32, the current standard for 457 plan reporting. The District will evaluate the impact of this standard on the District's deferred compensation plan offered to employees, but is likely to have minimal impact since the Kentucky Deferred Compensation Authority has its own governing board and provides the trust reporting for the plans offered to state and local government employees in Kentucky.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, that will be effective for these types of changes in fiscal years beginning after June 15, 2023. The District will apply this guidance, when appropriate.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New Accounting Pronouncements (Cont'd)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 (the District's 2025 fiscal year). This standard revises some definitions for compensated absences and consolidates guidance for all types of leave to a single accounting recognition. This standard is not likely to have a material effect on the District's financial statements since they only provide one type of leave that is already recognized using the principles in GASBS No. 101.

NOTE 2 - CASH AND INVESTMENTS

Deposits and Investments

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. As of June 30, 2022, the District did not hold any invested funds.

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 \$4,773,902. The bank balance for the same time was \$5,119,731. 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, 2022**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Total Non-depreciable capital assets	11,000	-	-	11,000
Depreciable capital assets				
Land Improvements	61,490	-	-	61,490
Buildings & Improvements	20,412,026	-	-	20,412,026
Technological Equipment	24,702	-	-	24,702
Vehicles	1,134,189	-	(125,479)	1,008,710
General Equipment	55,776	-	-	55,776
Total Depreciable capital assets	21,688,182	-	(125,479)	21,562,703
Less accumulated depreciation for:				
Land Improvements	(61,490)	-	-	(61,490)
Buildings & Improvements	(8,169,618)	(424,875)	-	(8,594,492)
Technological Equipment	(24,702)	-	-	(24,702)
Vehicles	(684,531)	(85,893)	125,479	(644,945)
General Equipment	(45,462)	(1,040)	-	(46,502)
Total accumulated depreciation	(8,985,803)	(511,808)	125,479	(9,372,131)
Depreciable Capital Assets, net	12,702,379	(511,808)	-	12,190,571
Intangible right-to-use assets				
Leased equipment	97,676	-	-	97,676
Less accumulated amortization	(14,244)	(24,419)	-	(38,663)
Net Intangible right-to-use assets	83,432	(24,419)	-	59,013
Governmental Activities, net	<u>\$12,796,811</u>	<u>\$(536,227)</u>	<u>\$ -</u>	<u>\$12,260,584</u>
Business Activities:				
Technological Equipment	\$ -	\$ -	\$ -	\$ -
General Equipment	201,921	-	(11,934)	189,988
Total	201,921	-	(11,934)	189,988
Less accumulated depreciation for:				
Technological Equipment	-	-	-	-
General Equipment	(135,593)	(9,883)	3,742	(141,735)
Total accumulated depreciation	(135,593)	(9,883)	3,742	(141,735)
Business Activities, net	<u>\$ 66,328</u>	<u>\$ (9,883)</u>	<u>\$ (8,192)</u>	<u>\$ 48,253</u>

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

Governmental Activities:	
Instruction	\$238,068
Support Services:	
Student	4,757
Business Support	24,419
Plant Operations & Maintenance	195,814
Student Transportation	73,169
Total depreciation expense, governmental activities	<u>\$536,227</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 - CAPITAL ASSETS (Cont'd)

Intangible Right-to-Use Assets

In FY 2022, the District implemented the guidance in GASBS No. 87, *Leases*, and recognized the value of copiers leased under long-term contracts.

As of June 30, 2022, the District had one lease agreement in place for copiers. Terms of the this lease are described in Note 4.

NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the 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.

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

<u>Issue</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance June 30, 2022</u>
2012R	1,120,000	2.00%	5/1/2023	200,000
2013	1,400,000	0.08% - 3.00%	3/1/2033	850,000
2016	5,325,000	1.50% - 3.00%	12/1/2027	3,630,000
2017	3,750,000	3.00% - 3.625%	2/1/1937	3,540,000
2017R	1,350,000	3.00%	8/1/2028	1,135,000
	<u>\$12,945,000</u>			<u>\$9,355,000</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, 2022 for debt service (principal and interest) are as follows:

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

Year	Berea Independent School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
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	633,193	195,108	166,807	39,311	1,034,419
2026	652,704	175,887	172,296	34,757	1,035,644
2027	673,958	155,967	176,042	30,077	1,036,044
2028-2032	2,512,747	525,539	612,253	92,661	3,743,200
2033-2037	1,941,207	209,678	253,793	21,335	2,426,013
	<u>\$7,632,164</u>	<u>\$1,706,870</u>	<u>\$1,722,836</u>	<u>\$310,015</u>	<u>\$11,371,885</u>

Defeased Bonds

The District defeased prior bonds with the 2012, 2016 and 2017 School Building Revenue Bond series. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$271,141. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, will be amortized to operations in future years. The balance of the deferred loss on refunding as of June 30, 2022 was \$125,866.

Intangible Right-to-Use Lease Liabilities

In FY 2022, the District implemented the guidance of GASBS No. 87, *Leases*, for accounting and reporting leases that had previously been reported as operating leases.

The District leases a variety of copier/printers from Toshiba Business Solutions for a term of 48 months. The lease requires a minimum monthly lease payment of \$2,162, plus additional charges for excess usage and excluding applicable taxes. For purposes of discounting future payments on the lease, the District used the interest rate (3%) on its KISTA financing agreements to determine an appropriate discount rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 3. The prior period adjustment is described in Note 18.

Minimum lease payments over the next five years include:

	Lease Payments to Maturity		
	Principal	Interest	Total
FY 2023	24,466	1,478	25,944
FY 2024	25,211	733	25,944
FY 2025	10,730	80	10,810
	<u>60,407</u>	<u>2,291</u>	<u>62,698</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 - 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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds	\$ 10,120,000	\$ -	\$ 765,000	\$ 9,355,000	\$ 780,000
Net Bond Premiums (Discounts)	97,723	-	19,882	77,841	-
Lease Liability	84,151	-	23,744	60,407	24,466
Sick Leave	177,061	66,034	36,789	206,306	15,507
Total	<u>\$ 10,478,935</u>	<u>\$ 66,034</u>	<u>\$ 845,415</u>	<u>\$ 9,699,554</u>	<u>\$ 819,973</u>

NOTE 5 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2022 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$723

Expenditures for equipment under operating leases for the year ended June 30, 2022 totaled \$723.

NOTE 6 – RETIREMENT PLANS

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

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2022, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 55 years old At least 25 years of service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and the 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. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Employer Contributions – For the year ended June 30, 2022, employer contributions were established by the Kentucky Retirement Systems (the governing board for CERS prior to April 1, 2021). The governing Board establishes employer contribution rates based on the annual actuarial valuation. In 2017, KRS substantially increased the employer contributions as a result of changes to key actuarial assumptions. However, the Kentucky General Assembly allowed employers participating in CERS to phase this increase over a 10-year period, and restricted annual increases in the employer contribution rate to no more than 12% over the prior year's rate. In addition, the 2020 Kentucky General Assembly froze employer contribution rates for 1 year to help local employers deal with the financial impact of the COVID pandemic. For fiscal year 2022, the employer contribution rate for CERS nonhazardous pensions was 21.17% and hazardous pensions was 33.86%. In fiscal year 2021, these rates were 19.30% and 30.06%, respectively.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

Rates for both 2021 and 2022 reflect the adjustments enacted by the Kentucky General Assembly to phase-in the actuarially determined rates. The 2021 valuation indicated that CERS the phase-in of the 2017 increases is now complete and the contribution rates beginning in fiscal year 2023 will return to the actuarially determined rates. (See Note 7 for additional rate information for the OPEB plans.)

Employee Contributions – Required contributions by the employee are based on the tier:

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

General information about the Teachers' Retirement System of the State of Kentucky ("TRS of Ky")

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 (TRS of Ky)—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. TRS of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at <https://trs.ky.gov/administration/financial-reports-information/>.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is 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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

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 was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. The annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

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. TRS of Ky 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.

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than \$6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is \$2,880 per year unless the spouse has income from other sources that exceed \$6,600 which will reduce this death benefit to \$2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

If an employee terminates 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, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

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 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) For the FY21 measurement period, the Commonwealth of Kentucky, as a non-employer contributing entity, paid matching contributions at the rate of 15.335% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.335% for those hired after July 1, 2008, for pension benefits. (See OPEB discussion for additional contribution rates.) The 2018 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2021 was 38.56% for non-university members hired before July 1, 2008, and 39.56% for those hired after July 1, 2008. The 2019 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2022 was 39.26% for non-university members hired before July 1, 2008, and 40.26% for those hired after July 1, 2008. The Kentucky General Assembly increased the employer contribution in the state's fiscal year 2022 budget to reflect the actually determined rates, less the employee contribution.

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

At June 30, 2022, 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 TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation.

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 CERS net pension liability	\$ 2,937,451
Commonwealth's proportionate share of TRS of Ky net pension liability associated with the District	<u>21,555,208</u>
	<u>\$ 24,492,659</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

At June 30, 2021, the District's proportion was 0.046072 percent. For the year ended June 30, 2022, the District recognized a negative pension expense of \$362,177 related to CERS and a negative expense of \$1,560,155 related to TRS of Ky. The District also recognized an additional negative on-behalf revenue of \$3,410,947 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky. TRS has reported negative pension expense since the 2018 measurement period when the discount rate was increased from a blended rate based on the Municipal Bond Index to the TRS long-term investment earnings rate. The CERS negative expense reflects the impact of significant investment returns for the fiscal year ended June 30, 2021, which are recognized over a 5-year period in the actuarial valuation.

At June 30, 2022, 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	\$ 33,731	\$ 28,510
Changes of assumptions	39,424	-
Net difference between projected and actual earnings on pension plan investments	113,954	505,467
Changes in proportion and differences between District contributions and proportionate share of contributions	25,555	579,119
District contributions subsequent to the measurement date	301,256	-
	<u>\$ 513,920</u>	<u>\$ 1,113,096</u>

\$301,256 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

**Fiscal Year Ended
June 30:**

2023	\$ (392,602)
2024	\$ (285,810)
2025	\$ (99,418)
2026	\$ (122,602)
2027	\$ 0
Thereafter	\$ 0

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

Actuarial assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS of Ky</u>
Price inflation	2.30%	2.5%
Cost-of-living adjustment	0.0%	1.5%
Salary increases	3.30% - 10.30%	3.0-7.5%
Investment rate of return	6.25%	7.1%

For CERS, mortality tables were revised for the 2019 measurement based on an experience study completed in March 2019. The mortality table used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS of Ky, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 and various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
Growth:	68.50%	
U. S. Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Credit	10.00%	9.70%
High Yield Credit	15.00%	2.80%
Liquidity:	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies:		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	<u>100.00%</u>	
Expected Real Return		5.00%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>7.30%</u>

For TRS of Ky, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS of Ky'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>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	<u>100.0%</u>	

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

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. Beginning 2018, the Kentucky General Assembly allowed CERS employers to use a ten-year phase-in for the significant contribution increases that resulted when the earnings assumption was lowered from 7.5% to 6.25%. This phased-in approach is the current “statutory contribution rates” based on actuarial projections, but limited to no more than a 12% annual increase. In 2020, the General Assembly froze employer contribution rates for local governments participating in CERS for fiscal year 2021. 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. The actuarial valuation for the 2021 measurement period indicates that CERS employers have now reached the actuarially-determined contribution levels and rates for 2023 and future years will be based on the actuarial calculations.

For TRS of Ky, the discount rate used to measure the total pension liability was 7.10%. 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 statutorily required rates 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 to determine the total pension liability.

Sensitivity of CERS and TRS of Ky 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:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
CERS	5.25%		6.25%		7.25%	
District's proportionate share						
of net pension liability	\$	3,767,421	\$	2,937,451	\$	2,250,671
KTRS	6.10%		7.10%		8.10%	
District's proportionate share						
of net pension liability	\$	0	\$	0	\$	0

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RETIREMENT PLANS (Cont'd)

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 TRS of Ky.

Deferred Compensation

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 termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

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 TRS of Ky plans. The change in governance for CERS discussed in Note 6 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from <http://kyret.ky.gov/>. TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRSofKy.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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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.

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 2021 measurement period, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions are allocated to the health insurance plan.

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

At June 30, 2022, the District reported a liability of \$881,815 for its proportionate share of the CERS collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, 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 OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.046061 percent.

The District recognized negative OPEB expense of \$66,640 as the OPEB liability and the related deferred outflows of resources decreased while deferred inflows of resources increased with significant investment returns in the 2021 valuation.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,666	\$ 263,281
Changes of assumptions	233,786	820
Net difference between projected and actual earnings on OPEB plan investments	44,428	182,376
Changes in proportion and differences between District contributions and proportionate share of contributions	32,260	258,517
District contributions subsequent to the measurement date	82,251	-
	<u>\$ 531,391</u>	<u>\$ 704,994</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$82,251 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, 2023. 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:

Year ended June 30:

2023	(\$48,926)
2024	(\$69,762)
2025	(\$61,270)
2026	(\$75,895)
2027	\$0
Thereafter	\$0

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, 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	3.30% - 10.30%, for non-hazardous, depending on years of service 3.55% to 19.05%, for hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend starting at 6.25%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 5.50%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Municipal Bond Index Rate	1.92%
Discount Rate	5.20% non-hazardous and 5.05% hazardous

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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, 2021 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2021 for use with the June 30, 2021 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.

However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
Growth:	68.50%	
U. S. Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Credit	10.00%	9.70%
High Yield Credit	15.00%	2.80%
Liquidity:	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies:	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	<u>100.00%</u>	
Expected Real Return		5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		<u>7.30%</u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Discount rate – The single discount rate of 5.20% for CERS nonhazardous and 5.05% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2021. 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 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 (the Kentucky General Assembly reset the amortization period to 30 years in 2020) 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 for non-Medicare retirees is not currently included in the calculation of the System's actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System's trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 1,210,725	\$ 881,815	\$ 611,889

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>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 634,802	\$ 881,815	\$ 1,179,963

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from <http://kyret.ky.gov/>.

TRS of Ky POST-EMPLOYMENT 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 TRS of Ky Medical Insurance and Life Insurance Plans in a special funding situation for local school districts. Local school districts include a proportionate share of the liability, deferred outflows of resources and deferred inflows of resources, and expenses for the cost-sharing medical insurance plan.

Plan description—In addition to the pension benefits described in Note 6, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The TRS of Ky 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 TRS of Ky Medicare Eligible Health Plan.

Contributions— KRS 161.540 requires non-university members to contribute 3.75% to fund the post-retirement healthcare benefit. The Commonwealth of Kentucky contributes three quarters percent (.75%) from state appropriation and local school district employers contribute three percent (3.00%). In addition, the state contributes 2.32% for OPEB plan pre-funding. The total member and employer actuarially determined contribution based on the 2021 valuation was 4.64% for school district employees. The FY 21 difference between the total contributions and actuarially determined contribution (2.72%) was applied to reduce the unfunded actuarial accrued liability. The FY20 total member and employer actuarially determined contribution rate was 3.54% and 2.06% (the excess payment) was applied to the unfunded actuarial accrued liability.

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

At June 30, 2022, the District reported a liability of \$1,891,000 for its proportionate share of the collective net OPEB liability for medical insurance.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

The collective net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.639742 percent.

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:

District's proportionate share of the net OPEB liability	\$ 1,891,000
State's proportionate share of the net OPEB liability associated with the District	<u>1,536,000</u>
Total	<u>\$ 3,427,000</u>

For the fiscal year ended June 30, 2022, the District recognized a decrease in OPEB expense of \$232,984 as the liability decreased, deferred outflows and inflows of resource increased, and deferred contributions increased. In addition, the District recognized on-behalf revenue and expenses of \$127,055 for support provided by the State as a nonemployer contributing entity. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

KTRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,125,000
Changes of assumptions	495,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	202,000
Changes in proportion and differences between District contributions and proportionate share of contributions	138,000	31,000
District contributions subsequent to the measurement date	<u>180,431</u>	<u>-</u>
	<u>\$ 813,413</u>	<u>\$ 1,358,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$180,431 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, 2023.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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:

Year ended June 30:	
2023	(\$171,000)
2024	(\$172,000)
2025	(\$169,000)
2026	(\$170,000)
2027	(\$45,000)
Thereafter	\$2,000

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FYE 2022* decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

*Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

The health care cost trend assumption was updated for the June 30, 2020 valuation and wash show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.10 %
Fixed Income	9.0%	(0.10)%
Real Estate	6.5%	4.00 %
Private Equity	8.5%	6.90 %
Additional Category: High Yield	8.0%	1.70 %
Other Additional Categories	9.0%	2.20 %
Cash (LIBOR)	1.0%	(-0.30)%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- Administrative expenses were assumed to be paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

- Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions
 - School District/University Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

These adjustments were incorporated into the valuation with open group projections that assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy (Schedule B). As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- Adjustments to the statutory contributions in future years were based on the following assumptions:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
 - Estimates for new entrants were based on the assumption that active headcounts would remain flat for all future years.

Based on these assumptions, the Health Trust's fiduciary net position was projected to be sufficient to pay benefits. Projected future benefit payments for all current plan members were projected through 2119.

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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
KTRS			
District's proportionate share of MIF net OPEB liability	\$ 2,421,000	\$ 1,891,000	\$ 1,453,000

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability	\$ 1,374,000	\$ 1,891,000	\$ 2,535,000

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

TRS Life Insurance Plan

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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 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 – The Commonwealth of Kentucky contributed 0.07% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2022 and 0.06% for fiscal year June 30, 2021. The actuarial determined contribution rate for FY 22 was 0.07% and 0.06% for FY 21.

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

At June 30, 2022, the 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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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:

District's proportionate share of the net OPEB liability	\$ 0
State's proportionate share of the net OPEB liability associated with the District	<u>20,000</u>
Total	<u>\$ 20,000</u>

For the year ended June 30, 2022, the District recognized OPEB revenue and expense of \$3,129 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The health care cost trend assumption was updated for the June 30, 2020 valuation and wash show as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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, 2022**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE 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%	4.40 %
International Equity	23.0%	5.60 %
Fixed Income	18.0%	(0.10)%
Real Estate	6.0%	4.00 %
Private Equity	5.0%	6.90 %
Additional Categories	6.0%	2.10 %
Cash (LIBOR)	2.0%	(0.30)%
Total	<u>100.0%</u>	

Single Equivalent Interest Rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the Actuarially Determined Contribution (AC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applied.
- Administrative expenses were assumed to be paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's fiduciary net position was projected to be sufficient to pay all benefits for all current members projected through 2119.

OPEB plan fiduciary net position – TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRS of Ky.ky.gov/05_publications/index.htm.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2022, this amount totaled \$206,305.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or 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 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain 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, 2022**

NOTE 11 - 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 12 - 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 13 - DEFICIT OPERATING/ FUND BALANCES

The Special Revenue Fund is operating as a deficit fund balance of \$431 at June 30, 2022. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) resulting in the following reductions of fund balances:

District Activity Fund	\$29,793
Special Revenue Fund	\$431

NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	KETS	\$ 21,145
Special Revenue	General Fund	Indirect Costs	\$ 244,744
Building Fund	Debt Service	Debt Service	\$ 831,644
Student Activity	General Fund	Expense Reimbursement	\$ 13,646

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 15 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2022, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 1,850,792
Health & Life Insurance	1,179,076
Technology	74,698
Debt Service	<u>227,400</u>
Recognized at the Fund Level	<u>3,331,966</u>
Additional pension & OPEB expense recognized at the Government-Wide Level	<u>(3,410,947)</u>
Total On-Behalf	<u>\$ (78,981)</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	\$ 3,072,054
Food Service Fund	227,400
Debt Service Fund	<u>32,512</u>
Total	<u>\$ 3,331,966</u>

NOTE 16- LITIGATION

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

NOTE 17- SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through October 12, 2022, the date the financial statements were available to be issued.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

The District implemented GASB standard GASBS No. 87, *Leases* in FY 2022. GASBS No. 87 requires reporting an intangible right-to-use asset and a lease liability for copier leases that the District had previously reported as operating leases. The following table outlines the prior period adjustments necessary to implement this standard.

	Governmental Activities
Net position as previously reported	\$ (506,489)
Intangible lease assets	97,676
Accumulated amortization intangible lease assets	(14,244)
Lease liability	<u>(84,151)</u>
Net change - GASBS No. 87 Implementation	<u>(719)</u>
Net position June 30, 2021, Restated	<u><u>\$ (507,208)</u></u>

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 19 – RISKS AND UNCERTAINTIES

Prior to the year ended June 30, 2022, the World Health Organization declared the coronavirus disease (COVID-19) outbreak to be a pandemic. COVID -19 continues to spread across the globe and is impacting worldwide economic activity. The continued spread of the disease represents a significant risk that operations will continue to be disrupted for the foreseeable future. The full extent to which COVID-19 impacts the District will depend on future developments which are highly uncertain and cannot be predicted.

NOTE 20 – EFFECT OF NEW ACCOUNTING STANDARDS ON DISTRICT FINANCIAL STATEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for reporting periods beginning after June 15, 2021. This standard requires the District to recognize intangible assets and liabilities for lease agreements that are currently reported as operating leases and expensed as lease payments are remitted to the lessors. The District implemented this guidance in FY 2022. The financial impact of this implementation is described in Note 3 – Capital Assets, Note 4 – Long-Term Debt and Lease Obligations, and Note 18 – Prior Period Adjustments.

BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

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**BEREA INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:								
District's proportion of the net pension liability	0.046072%	0.053343%	0.064154%	0.060359%	0.064577%	0.066680%	0.061560%	0.062587%
District's proportionate share of the net pension liability	\$ 2,937,451	\$ 4,091,364	\$ 4,511,979	\$ 3,676,047	\$ 3,779,890	\$ 3,823,108	\$ 2,646,907	\$ 2,030,500
District's covered-employee payroll	\$ 1,127,203	\$ 1,313,706	\$ 1,555,604	\$ 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	260.60%	311.44%	290.05%	248.08%	246.32%	240.43%	184.28%	142.78%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	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%	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	\$ 21,555,208	\$ 23,576,553	\$ 22,992,887	\$ 21,201,128	\$ 42,117,905	\$ 45,963,233	\$ 35,761,800	\$ 33,493,686
Total	\$ 21,555,208	\$ 23,576,553	\$ 22,992,887	\$ 21,201,128	\$ 42,117,905	\$ 45,963,233	\$ 35,761,800	\$ 33,493,686
District's covered-employee payroll	\$ 6,435,880	\$ 6,477,748	\$ 5,960,887	\$ 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%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	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, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:									
Contractually required contribution	\$ 301,256	\$ 222,204	\$ 268,713	\$ 265,768	\$ 216,620	\$ 219,335	\$ 189,444	\$ 183,805	\$ 271,230
Contributions in relation to the contractually required contribution	<u>301,256</u>	<u>222,204</u>	<u>268,713</u>	<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)	0	0	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,423,033	\$ 1,147,334	\$ 1,391,303	\$ 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	21.17%	19.37%	19.31%	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>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,008,939	\$ 6,435,880	\$ 6,477,784	\$ 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%	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.

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED JUNE 30, 2022**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

The actuarially determined contribution rates are determined on 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.

The 2019 actuarial valuation used update mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

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 2019 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

**BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED JUNE 30, 2022**

COUNTY EMPLOYEES RETIREMENT SYSTEM (Cont'd):

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

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

2014 Changes of Assumptions – The Single Equivalent Interest Rate was increased from 5.16% to 5.23%.

2015 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 5.23% to 4.88%.

2016 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 4.88% to 4.20%. Rates of withdrawal, retirement, disability and mortality were adjusted based on an experience study conducted in 2015. The Assumed Salary Scale, Price Inflation, and Wage Inflation were also decreased.

2017 Changes of Assumptions – The Single Equivalent Interest Rate was increased from 4.20% to 4.49%.

2018 Changes of Assumptions – The 2018 actuarial analysis for TRS of Ky indicated that cash flow 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. The actuarial gains for this change will be recognized over the average remaining service lives for active members (10.6 years for the 2020 valuation) and are creating negative pension expense for the TRS pension system.

**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, 2022**

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
District's proportion of the net OPEB liability	0.046061%	0.053327%	0.064137%	0.060357%	0.064577%
District's proportionate share of the net OPEB liability	\$ 881,815	\$ 1,287,685	\$ 1,078,755	\$ 1,071,627	\$ 1,298,219
District's covered-employee payroll	\$ 1,127,203	\$ 1,313,706	\$ 1,555,604	\$ 1,481,769	\$ 1,534,537
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	78.23%	98.02%	69.35%	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
District's proportion of the net OPEB liability	0.088139%	0.088811%	0.089324%	0.083195%	0.081937%
District's proportionate share of the net OPEB liability	\$ 1,891,000	\$ 2,241,000	\$ 2,614,000	\$ 2,887,000	\$ 2,922,000
State's proportionate share of the net OPEB liability associated with the District	\$ 1,536,000	\$ 1,795,000	\$ 2,111,000	\$ 2,488,000	\$ 2,387,000
Total	<u>\$ 3,427,000</u>	<u>\$ 4,036,000</u>	<u>\$ 4,725,000</u>	<u>\$ 5,375,000</u>	<u>\$ 5,309,000</u>
District's covered-employee payroll	\$ 5,181,683	\$ 6,477,748	\$ 5,177,804	\$ 5,512,783	\$ 5,288,428
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	36.49%	34.60%	50.48%	52.37%	55.25%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	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, 2022**

	2022	2021	2020	2019	2018	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
Contractually required contribution	\$ 82,251	\$ 54,803	\$ 66,273	\$ 86,186	\$ 70,312	\$ 74,369
Contributions in relation to the contractually required contribution	82,251	54,803	66,273	86,186	70,312	74,369
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,423,033	\$ 1,147,334	\$ 1,391,303	\$ 1,638,519	\$ 1,481,769	\$ 1,534,537
District's contributions as a percentage of its covered-employee payroll	5.78%	4.78%	4.76%	5.26%	4.75%	4.85%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ 180,431	\$ 156,447	\$ 156,847	\$ 155,335	\$ 148,196	\$ 140,381
Contributions in relation to the contractually required contribution	180,431	156,447	156,847	155,335	148,196	140,381
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,392,182	\$ 5,181,683	\$ 5,229,133	\$ 5,180,692	\$ 5,512,783	\$ 5,288,428
District's contributions as a percentage of its covered-employee payroll	4.11%	3.02%	3.00%	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, 2022**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2020

2017 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:

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, 2020

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.

2019 Changes to assumptions:

The State's biennial budget for the two years ended June 30, 2020, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

2020 Changes to assumptions:

The actuary updated the health care trend rates based on current economic data.

**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, 2022**

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
District's proportion of the net OPEB liability	0%	0%	0%	0%	0%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 20,000	\$ 54,000	\$ 49,000	\$ 43,000	\$ 32,000
Total	<u>\$ 20,000</u>	<u>\$ 54,000</u>	<u>\$ 49,000</u>	<u>\$ 43,000</u>	<u>\$ 32,000</u>
District's covered-employee payroll	\$ 5,181,683	\$ 6,477,748	\$ 5,177,804	\$ 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%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	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, 2022**

	2022	2021	2020	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,392,182	\$ 5,181,683	\$ 5,229,133	\$ 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%	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, 2022**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2020

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.

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BEREA INDEPENDENT SCHOOL DISTRICT

SUPPLEMENTAL SCHEDULES

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BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	DEBT SERVICE FUND	CONSTRUCTION FUND	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	STUDENT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ -	\$ 258,583	\$ 197,319	\$ 50,784	\$ 144,435	\$ 651,121
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 258,583</u>	<u>\$ 197,319</u>	<u>\$ 50,784</u>	<u>\$ 144,435</u>	<u>\$ 651,121</u>
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 4,966	\$ 4,966
TOTAL LIABILITIES	-	-	-	-	4,966	4,966
FUND BALANCES:						
Assigned	-	-	-	50,784	139,469	190,253
Restricted	-	258,583	197,319	-	-	455,902
TOTAL FUND BALANCES	-	258,583	197,319	50,784	139,469	646,155
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 258,583</u>	<u>\$ 197,319</u>	<u>\$ 50,784</u>	<u>\$ 144,435</u>	<u>\$ 651,121</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, 2022

	DEBT SERVICE FUND	CONSTRUCTION FUND	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	STUDENT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ -	\$ -	\$ 272,826	\$ -	\$ -	\$ 272,826
Earnings on investments	-	3,652	3,808	-	259	7,719
Other local revenues	-	-	-	6,807	196,594	203,401
Intergovernmental - State	227,400	-	649,526	-	-	876,926
TOTAL REVENUES	227,400	3,652	926,160	6,807	196,853	1,360,872
Expenditures:						
Instruction	-	-	-	32,353	97,449	129,802
Non-Instructional	-	-	-	4,247	-	4,247
Debt Service	1,059,044	-	-	-	-	1,059,044
TOTAL EXPENDITURES	1,059,044	-	-	36,600	97,449	1,193,093
Excess (Deficit) of Revenues over Expenditures	(831,644)	3,652	926,160	(29,793)	99,404	167,779
OTHER FINANCING SOURCES (USES):						
Operating transfers in	831,644	-	-	-	-	831,644
Operating transfers out	-	-	(831,644)	-	(13,646)	(845,290)
TOTAL OTHER FINANCING SOURCES (USES)	831,644	-	(831,644)	-	(13,646)	(13,646)
Net Change in Fund Balances	-	3,652	94,516	(29,793)	85,758	154,133
Fund balance - beginning of year	-	254,931	102,803	80,577	53,711	492,022
Fund balance - end of year	\$ -	\$ 258,583	\$ 197,319	\$ 50,784	\$ 139,469	\$ 646,155

BEREA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SCHOOL ACTIVITIES FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Deposits Held in Custody for Students June 30, 2021	Revenues	Expenses	Deposits Held in Custody for Students June 30, 2022
Berea High School	\$ 36,164	\$ 129,436	\$ 81,019	\$ 84,581
Berea Community Middle School	15,774	49,640	21,082	44,332
Berea Elementary School	<u>1,773</u>	<u>17,777</u>	<u>8,994</u>	<u>10,556</u>
	<u>\$ 53,711</u>	<u>\$ 196,853</u>	<u>\$ 111,095</u>	<u>\$ 139,469</u>

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BEREA HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

ACCOUNTS:	Deposits Held in Custody for Students June 30, 2021	Revenues	Expenses	Deposits Held in Custody for Students June 30, 2022
GENERAL ATHLETICS	\$ 3,464	\$ 23,986	2,348	\$ 25,102
START UP-CHANGE-HS	1,000	-	-	1,000
DAF- DIST ACTIVITY FUNDS	-	-	-	-
ATHLETIC-STUDENT	9	1,000	-	1,009
GUIDANCE	-	20	-	20
ATHLETIC TICKET SALES	2,310	6,932	-	9,242
HS BASEBALL	206	-	224	(18)
HS BOYS BASKETBALL	2,195	2,569	2,949	1,815
HS GIRLS BASKETBAL	2,155	20,190	20,039	2,306
HS CHEER - REGULAR	677	19,464	16,736	3,405
CROSS COUNTRY	2,100	7,474	4,492	5,082
DANCE TEAM	60	-	-	60
HS FOOTBALL	899	50	225	724
GOLF	760	-	100	660
HS BOYS SOCCER	509	2,305	1,563	1,251
HS GIRLS SOCCER	176	3,015	2,665	526
HS SOFTBALL	1,130	-	-	1,130
SWIM TEAM	91	2,618	200	2,509
TENNIS	602	-	-	602
TRACK	19	-	-	19
VOLLEYBALL	487	1,840	3,241	(914)
YARN CLUB	7	-	-	7
LEGO CLUB	3	-	-	3
HS FUTURE PROBLEM SOLVING	-	215	140	75
MAJORETTES	112	334	236	210
CULINARY CLUB	101	-	-	101
HS FCCLA	-	7,601	4,940	2,661
ARCHERY	119	-	91	28
Field Trips	32	-	-	32
HS Basketball Joint Acct	-	1,380	324	1,056
TOURNAMENTS	1,668	-	-	1,668
9TH GRADE (FRESHMAN)	511	-	-	511
10TH GRADE (SOPHOMORE)	271	-	-	271
11TH GRADE (JUNIOR)	-	6,515	3,556	2,959
12TH GRADE (SENIOR)	159	984	2,863	(1,720)
BAND	500	-	-	500
HS CHORUS	320	-	-	320
QUIDDITCH CLUB	27	-	-	27
LIBRARY	47	-	-	47
NEWSPAPER-JOURNALISM	287	-	-	287
TECHNOLOGY CLUB	97	-	-	97
CONCESSIONS	689	-	-	689
4-H CLUB	199	-	-	199
HS ACADEMIC TEAM	904	535	925	514
ART CLUB	193	-	-	193

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BEREA HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

ACCOUNTS:	Deposits Held in Custody for Students June 30, 2021	Revenues	Expenses	Deposits Held in Custody for Students June 30, 2022
SENIOR BETA CLUB	\$ 994	\$ 655	\$ 1,050	\$ 599
FBLA	237	-	-	237
HS DRAMA CLUB	1,364	756	-	2,120
HS FCA	156	-	1	155
SCHOOL STORE	112	-	-	112
SCHOOL BASED ENTERPRISE	1,222	-	-	1,222
CHESS CLUB	-	-	-	-
HS FUTURE PROBLEM SOLVING	215	-	140	75
HS MUSIC HONOR SOCIETY	60	-	-	60
MUSICAL THEATER	1,647	-	-	1,647
SENIOR TRIP ACCOUNT	89	15,892	11,652	4,329
NATIONAL HONOR SOCIETY	-	550	-	550
HS SEED CLUB	42	-	-	42
SPANISH CLUB	189	-	-	189
HS STUDENT COUNCIL	-	-	-	-
STLP	134	-	-	134
UNITE CLUB	12	-	-	12
KEY CLUB & BUILDERS CLUB	86	-	-	86
HS FILM CLUB	381	-	-	381
HS BASS CLUB	244	-	-	244
HS PEP CLUB	209	-	-	209
ENVIRONMENTAL CLUB	82	-	-	82
STRATEGIC GAMES	408	-	-	408
LIGHTHOUSE TEAM	338	-	-	338
HS ANIME CLUB	78	-	-	78
CODE PINK	447	-	-	447
HS BOOK CLUB	104	-	-	104
HS WELLNESS CLUB	69	-	-	69
GSA	33	-	-	33
DIFFERENT ABLED	563	617	319	861
SCHOLARSHIP FUND	127	-	-	127
STEM	205	-	-	205
DESTINATION IMAGINATION-MONDINE	131	-	-	131
YEARBOOK	-	780	-	780
STUDENT TESTING	200	-	-	200
HS FEES	165	-	-	165
HS PARKING FEES	-	-	-	-
TEXTBOOK RENTAL/FEES	-	-	-	-
GENERAL OPERATING - STAFF	107	69	-	176
GENERAL OPERATING - STUDENT	40	217	-	257
PICTURES - SWEEP	-	873	-	873
TARGET FIELD TRIP	11	-	-	11
Janet Ball Memorial Fund	100	-	-	100
OPERATION HAPPINESS	468	-	-	468
TOTALS	\$ 36,164	\$ 129,436	\$ 81,019	\$ 84,581

BEREA INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing 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			
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
National School Lunch Program (NSLP)	10.555	4000816 Commodities	\$44,573
National School Lunch Program (NSLP)	10.555	7750002-21	98,676
National School Lunch Program (NSLP)	10.555	7750002-22	387,716
National School Lunch Program (NSLP)	10.555	7970000-21	77,256
National School Lunch Program (NSLP)	10.555	9980000-22	30,268
School Breakfast Program	10.553	7760005-21	26,231
School Breakfast Program	10.553	7760005-22	101,713
Total Child Nutrition Cluster-Cluster			766,432
State Pandemic Adm Cost Grant	10.649	9990000-21	3,063
State Administrative Expenses Child Nutrition	10.560	7700001-21	2,531
Total United States Department of Agriculture			772,026
Department of Health and Human Services			
CCDF Cluster-Cluster			
Child Care and Development Block Grant	93.575	PRESCHOOL PARTNERSHIP GRANT WHITT--576I	70,307
Total Child Care and Development Block Grant			70,307
Total Department of Health and Human Services			70,307
United States Department of Education			
Special Education Cluster (IDEA)-Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-20	42,328
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-21	140,781
		49100002-21	
Special Education - Grants to States (IDEA, Part B)	84.027	COVID-19 ARP	10,218
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-19	5,538
Total Special Education - Grants to States (IDEA, Part B)			198,865
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-18	787
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-19	7,003
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-20	2,179
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-21	600
Total Special Education - Preschool Grants (IDEA Preschool)			10,569
Total Special Education Cluster (IDEA)-Cluster			209,434
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-20	31,285
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-21	349,836
Total Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)			381,121

The accompanying notes are an integral part of this schedule

BEREA INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)</i>			
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	SCHOOL CLIMATE TRANSPORTATION 9/30-- 379GS	168,154
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	84.184	SCHOOL CLIMATE TRANSFORMATION9/30--379IS	654,643
<i>Total School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)</i>			822,797
<i>Twenty-First Century Community Learning Centers</i>			
Twenty-First Century Community Learning Centers	84.287	3400002-19	45,214
Twenty-First Century Community Learning Centers	84.287	3400002-20	80,610
<i>Total Twenty-First Century Community Learning Centers</i>			125,824
<i>Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)</i>			
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	3230002-20	9,309
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	3230002-21	41,354
<i>Total Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)</i>			50,663
<i>Comprehensive Literacy Development</i>			
Comprehensive Literacy Development	84.371	3220002-18	48,295
Comprehensive Literacy Development	84.371	3220002-19	(834)
<i>Total Comprehensive Literacy Development</i>			47,461
<i>Student Support and Academic Enrichment Program</i>			
Student Support and Academic Enrichment Program	84.424	3420002-20	17,263
<i>Total Student Support and Academic Enrichment Program</i>			17,263
<i>Education Stabilization Fund (ESF)</i>			
Education Stabilization Fund (ESF)	84.425U	4300005-21 COVID-19 KY VIRTUAL LIBRARY	1,597
Education Stabilization Fund (ESF)	84.425U	4300002-21 COVID-19 ARP ESSER III	333,891
Education Stabilization Fund (ESF)	84.425D	4200003-21 COVID-19 ESSER II	352,906
Education Stabilization Fund (ESF)	84.425D	4200002-21 COVID-19 CRRSA ACT ESSER II	981,353
Education Stabilization Fund (ESF)	84.425D	4000002-20 COVID-19 ESSER I	(31,664)
<i>Total Education Stabilization Fund (ESF)</i>			1,638,083

The accompanying notes are an integral part of this schedule

BEREA INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Pass thru Berea College			
<i>Gaining Early Awareness and Readiness for Undergraduate Programs</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FULL SERVICE--379EF	33,192
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GEARUP OPPORTUNITY--379EO	192,444
<i>Total Gaining Early Awareness and Readiness for Undergraduate Programs</i>			<u>225,636</u>
Total Department of Education			<u>3,518,282</u>
Total Expenditures of Federal Awards			<u><u>\$4,360,615</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, 2022**

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, 2022. 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, 2022, the District received food commodities totaling \$44,573.

NOTE 4 – SUBRECIPIENTS

The District did not pass through any federal awards to a subrecipient in the current fiscal year.

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, 2022, 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 October 12, 2022.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

We noted certain matters that we reported to management for the District in a separate letter dated October 12, 2022.

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
October 12, 2022

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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

Opinion on Each Major Federal Program

We have audited the Berea Independent School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Berea Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Berea Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Berea Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Berea Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the audit requirements prescribed by Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Berea Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the audit requirements prescribed by Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Berea Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Berea Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Berea Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
October 12, 2022

DRAFT

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2021-001 Payroll

Condition: An employee was not paid in accordance with 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: Management inadvertently removed the Library Media Specialist extended days from the salary schedule.

Effect: Noncompliance with Kentucky Revised Statutes and over payment of employee.

Recommendation: We recommend management review the salary schedule to ensure all extended days and extra services are on the board approved salary schedule and amend accordingly.

Views of Responsible Officials and Planned Corrective Actions: Salary schedule will be amended and updated in subsequent years to account for extended days for the Library Media Specialist extended days.

Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

**BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statement Findings

No findings in the prior year.

Federal Award Findings and Questioned Costs

No findings in the prior year.

DRAFT

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

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

In planning and performing our audit of the financial statements of Berea Independent School District for the year ended June 30, 2022, 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 October 12, 2022 on the financial statements of the Berea Independent School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 12, 2022

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2022**

BOARD

Nothing noted.

SCHOOL ACTIVITY FUNDS

BEREA HIGH SCHOOL

Comment: During the review of end of the year financial reports, there were three accounts that ended the year with a negative balance. We recommend the bookkeeper review the "Account Balances" section of the "Redbook, which states, "Individual school activity accounts and the school activity fund bank account as a whole shall not end the fiscal year with a negative balance."

Response: These three accounts were inactive accounts while utilizing the Tyler Student Activity module for the FY22 school year for GASB 84 compliance. During the transition to Fund 25 in Munis and with the consolidation of the associated bank accounts we knew we would need to reconcile these accounts at the end of the year. We will reconcile in FY23 to ensure there are no negative accounts.

STATUS OF PRIOR YEAR COMMENTS

BOARD

Previously during our testing of cash disbursements, we noted one instance where a check was written with no backup documentation. We recommended that backup documentation is kept for all checks written. There was no similar finding in the current year.

Previously while performing procedures on fixed assets, it was noted that the fixed asset general ledger balances did not tie to the detail listing per the MUNIS fixed asset module. We recommended the district reconciles the fixed asset module sub-ledger to the general ledger on a regular basis. There was no similar finding in the current year.

**BEREA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2022**

SCHOOL ACTIVITY FUNDS

BEREA HIGH SCHOOL

Previously during our testing of ticket sales, we noted several instances where the ticket forms were not being filled out correctly. We recommended the bookkeeper review the Ticket Sales section of the Redbook, which states: "The number of tickets collected is reconciled with the number of tickets sold on the Requisition and Report of Ticket Sales (Form F-SA-1). The amount of cash collected and the total sales amount is compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any Cash over/short identified before turning the form and money into the school treasurer." There was no similar finding in the current year.

BEREA COMMUNITY MIDDLE SCHOOL

Previously our testing of ticket sales, we noted several instances where the ticket forms were not being filled out correctly. We recommend the bookkeeper review the Ticket Sales section of the Redbook, which states: "The number of tickets collected is reconciled with the number of tickets sold on the Requisition and Report of Ticket Sales (Form F-SA-1). The amount of cash collected and the total sales amount is compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any Cash over/short identified before turning the form and money into the school treasurer." There was no similar finding in the current year.