BEREA INDEPENDENT BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2025

Denise M. Keene
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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 Board of Education as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board'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 Board as of June 30, 2025 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. 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 Board 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 Board'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 Board'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 Board'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, budgetary comparison information; the Multiple Employer, Cost Sharing Schedules, 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 Board'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 (CFR) 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 combing 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 February 27, 2026 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Board'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 the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
February 27, 2026

BEREA INDEPENDENT SCHOOL DISTRICT
BEREA, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025

As management of the Berea Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance for the District was $5,171,391.
The ending cash balance for the District was $1,157,402.

The General Fund had $12,474,734 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were $14,058,768 in General Fund expenditures. This includes on-behalf payments.

Certified and classified staff all received a 5% salary increase.

Elmer Thomas became Interim Superintendent on April 1, 2025.

Dr. Ryan Neaves became Superintendent on July 1, 2025

Nathan Sweet was hired as the new Director of Operations & Finance.

The Board of Education took the 4% tax rate for FY' 2025.

Berea Community High School was named 18th overall in the State of Kentucky for assessment and accountability.

24-25 as the 7th and final year of the Gear Up Opportunity Grant.

The School Climate Transformation Grant concluded a no cost extension that ended that carried it through the 24-25 school year.

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) district-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.

District-wide financial statements. The district-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 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 district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
The district-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is food service operations.
All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 17-23 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 24-58 of this report.

DISTRICT-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, liabilities exceeded assets by $2,500,893 as of June 30, 2025.

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

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

Net position for the period ending June 30, 2025 and 2024

2024 District-wide net position compared to 2025 are as follows:

Net Position (in thousands)

	Governmental		**Business-type**		**Total**	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**
Assets	$19,084	$15,118	$320	$284	$19,404	$15,402
Deferred Outflows of Resources	$3,273	$2,454	$121	$117	$3,394	$2,571
Liabilities	$19,545	$17,183	$144	$368	$19,689	$17,551
Deferred Inflows of Resources	$3,645	$2,890	$229	$184	$3,874	$3,074
Investment in Capital Assets (net of debt)	$740	$1,700	$36	$101	$776	$1,801
Restricted	4,451	2,648	32	(252)	4,483	2,396
Unrestricted	(6,024)	(6,849)	0	0	(6,024)	(6,849)
Total Net Position	($833)	($2,501)	$68	($151)	($765)	($2,652)

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with $288,432 in contingency, which is 2.5% percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

Changes in Net Position (in thousands)

Revenues	**Governmental** 2024	2025	**Business-type** 2024	2025	**Total** 2024	2025
Local Revenue Sources	$3,620	$3,922	$17	$13	$3,637	$3,935
State Revenue Sources	14,682	10,840	98	53	14,780	10,893
Federal Revenue Sources	2,649	1,898	715	677	3,364	2,575
Investments	142	81	1	9	143	90
Total Revenues	21,093	16,741	831	752	21,924	17,493
Expenses						
Instruction	15,712	11,146			15,712	11,146
Student Support Services	638	501			638	501
Instructional Support	657	773			657	773
District Administration	1,345	941			1,345	941
School Administration	790	812			790	812
Business Support	669	491			669	491
Plant Operations	1,379	2,678			1,379	2,678
Student Transportation	581	587			581	587
Community Support	88	95			88	95
Food Service	0		920	972	920	972
Debt Service	501	385			501	385
Total Expenses	22,360	18,409	920	972	23,280	19,381
Change in Net Position	(1,267)	(1,668)	(89)	(220)	(1,356)	(1,888)
Beginning Net Position	434	(833)	158	69	592	(764)
Ending Net Position	($833)	($2,501)	$69	($151)	($764)	($2,652)

The government's overall financial position and results of operations decreased as a result of the year's operations as reflected in the decrease in net position for the year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	($58)	$12,618	$14,059	$155	($1,344)
Special Revenue	$48	$2,560	$2,588	$0	$20
District Activity Fund	$69	$2	$15	$6	$62
School Activity Fund	$150	$216	$189	-$6	$171
Capital Outlay	$1,183	$88	$0	($176)	$1,095
Building	($4)	$1,059	$0	($875)	$180
Construction	$3,224	$81	$1,465	($721)	$1,119
Debt Service	$0	$227	$1,877	$1,650	$0

Capital Assets and Long-Term Debt Activity (in thousands)

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	$31,623	$5,402	$0	$37,025
Accumulated Depreciation	$12,441	$790	$0	$13,231
Business-Type				
Capital Assets	$24,228	$342	$98	$24,472
Accumulated Depreciation	$10,511	$646	$98	$11,059
Bonds Payable	$13,038	$0	$1,445	$11,593
Leases Payable	$13	$143	$38	$118
Subscription Payable	$4		$2	$2
Sick Leave Payable	$228	$9	$1	$236

CURRENT ISSUES

The 24-25 School year looks drastically different than 24-25. Systems have been put into place to ensure fiscal responsibility and accountability and with fundamental change there also comes an adjustment and education period as new processes are adapted to and understood. Among these are strengthened approval and review processes for expenditures, travel, professional development, and personnel actions. Much of the work has been related to processes that ensure adherence to policy but there is also an identified need to review and revise many of the policies themselves to better align with the needs of our unique school district and ensure not only our return to financial stability but also our future success.

A budget reduction of the magnitude required to address our general fund deficit necessitated major staffing changes. The result was the elimination of roughly 20% of full time positions ahead of the 25-26 school year. Staff attendance continues to be a major concern with substitute costs seeing little to no reduction and th 0
reach the same level as 24-25 at around $300,000, Student attendance and enrollment is also an ongoing issue with our average daily student attendance standing at 91.93% as of February 2026. The 25-26 graduating class is slated to be one of our largest at 89 seniors, creating a projected enrollment decrease for 26-27 in the High School of 24 students. On an encouraging note, Kindergarten enrollment continues to see increases that promise to offset some of our enrollment losses overall.

Key steps that have been taken to address FY25's general fund deficit:

Staffing reduced by about 20% (Projected $1.27M in general fund impact)

Adoption of KDE recommended staffing ratios

Policy change requiring board approval for expenditures over $15,000

Comprehensive board policy review (currently in progress)

Step raise freeze for 25-26 school year

Reduction of all administrative extended contracts by 5 days

Restriction of non-essential travel paid by the district

Strengthened, multi-tiered approval process for purchases

Reduction of SBDM Section 6 allocations from $147 per pupil to $100

Restriction of overtime approval

Custodial serves moved from contract and stipends to full time custodial staff reducing projected custodial expense by $180,000

Reduced athletic budgets and coaching staff

Introduction of Professional Development approval and justification procedure

Freeze on purchase of new staff and student devices

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, Dr. Ryan Neaves, or to the Treasurer, Nathan Sweet, 859-986-8446, or by mail at 3 Pirate Parkway Berea, KY 40403.

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2025

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and equivalents - Note C	$1,006,919	$150,483	$1,157,402
Accounts receivable	620,990	751	621,741
Inventory		20,879	20,879
OPEB asset	77,915	10,625	88,540
Capital assets			
Land and construction in progress	1,897,052		1,897,052
Other capital assets, net of depreciation	11,515,485	101,420	11,616,905
Total capital assets	13,412,537	101,420	13,513,957
TOTAL ASSETS	$15,118,361	$284,158	$15,402,519
DEFERRED OUTFLOWS OF RESOURCES			
Deferred ouflows from pension	$621,426	$86,951	$708,377
Deferred outflows from OPEB	1,776,775	30,429	1,807,204
Deferred outflows from advanced bond refundings	56,205		56,205
Total Deferred outflows	$2,454,406	$117,380	$2,571,786
LIABILITIES			
Accounts payable	$76,155	$829	$76,984
Accrued expenses	62,646		62,646
Unearned revenues	185,789		185,789
Interest payable	90,975		90,975
Long-term Liabilities			
Due within 1 year	945,841		945,841
Due in more than 1 year	11,003,057		11,003,057
OPEB Liability	2,128,000		2,128,000
Pension Liability	2,691,119	366,971	3,058,090
TOTAL LIABILITIES	$17,183,582	$367,800	$17,551,382
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	$512,429	$69,877	$582,306
Deferred inflows from OPEB	2,377,649	114,770	2,492,419
TOTAL DEFERRED INFLOWS OF RESOURCES	$2,890,078	$184,647	$3,074,725
NET POSITION			
Net investment in capital assets	$1,700,090	$101,420	1,801,510
Restricted			
Food Service		(252,329)	(252,329)
Other	253,809		253,809
SFCC	1,270,379		1,270,379
Future Construction Projects	1,124,079		1,124,079
Unrestricted	(6,849,250)		(6,849,250)
TOTAL NET POSITION	($2,500,893)	($150,909)	($2,651,802)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE
For the year ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	$11,146,172	$9,780	$2,409,589		($8,726,803)	$	($8,726,803)
Support services:							
Student	500,819		43,095		(457,724)		(457,724)
Instruction staff	772,596				(772,596)		(772,596)
District administrative	941,075				(941,075)		(941,075)
School administrative	812,241				(812,241)		(812,241)
Business	491,324				(491,324)		(491,324)
Plant operation and maintenance	2,677,889				(2,677,889)		(2,677,889)
Student transportation	587,154		13,504		(573,650)		(573,650)
Community service activities	94,811		94,500		(311)		(311)
Interest on long-term debt	385,071			50,425	(334,646)		(334,646)
Total governmental activities	18,409,152	9,780	2,560,688	50,425	(15,788,259)		(15,788,259)
Business-type Activities							
Food service	939,328	13,226	730,296			(195,806)	(195,806)
Total business-type activities	939,328	13,226	730,296			(195,806)	(195,806)
Total school district	$19,348,480	$23,006	$3,290,984	$50,425	($15,788,259)	($195,806)	($15,984,065)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Property taxes	$2,637,584		$2,637,584
Motor Vehicle taxes	230,783		230,783
Utility taxes	593,046		593,046
State aid-formula grants	10,171,973		10,171,973
Federal reimbursements	65,086		65,086
Investment earnings	81,249	8,847	90,096
Transfers	32,614	(32,614)	0
Miscellaneous	307,929		307,929
Total general & special	14,120,264	(23,767)	14,096,497
Change in net positions	(1,667,995)	(219,573)	(1,887,568)
Net position - beginning	(832,898)	68,664	(764,234)
Net position - ending	($2,500,893)	($150,909)	($2,651,802)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2025

	General Fund	Special Revenue Fund	Seek Capital Oulay Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$0	$0	$1,094,851	$1,119,201	$0	$414,063	$2,628,115
Interfund receivable	214,014						214,014
Other receivables	150,264	470,726	0				620,990
TOTAL ASSETS	364,278	$470,726	$1,094,851	1,119,201	$0	$414,063	$3,463,119
LIABILITIES							
Bank overdraft	$1,621,196	$				$	$1,621,196
Accounts payable	25,384	50,659				112	76,155
Accrued expenses	62,646						62,646
Interfund payable		214,014					214,014
Unearned revenues		185,789					185,789
TOTAL LIABILITIES	1,709,226	450,462				$112	2,159,800
Fund Balances							
Restricted							
SFCC			1,089,973			180,406	1,270,379
Other		20,264					20,264
Future Construction Projects			4,878	1,119,201			1,124,079
Debt Service					0		
Assigned							
Other						233,545	233,545
Unassigned	(1,344,948)						(1,344,948)
Total fund balances	(1,344,948)	20,264	1,094,851	1,119,201	0	413,951	1,303,319
TOTAL LIABILITIES AND FUND BALANCE	364,278	$470,726	$1,094,851	$1,119,201	$0	$414,063	$3,463,119

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
As of June 30, 2025

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

Total Fund Balance - Governmental Funds		$1,303,319
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		13,412,537
OPEB asset		77,915
Deferred outflows of resources		2,454,406
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Deferred inflows of resources	(2,890,078)
	Pension Liability	(2,691,119)
	OPEB Liability	(2,128,000)
	Bonds Payable	(11,592,775)
	Leases Payable	(117,877)
	Subscription Payable	(1,795)
	Accrued Interest on Bonds	(90,975)
	Accumulated Sick Leave	(236,451)
Total Net Position - Governmental Activities		($2,500,893)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2025

	General Fund	Special Revenue Fund	Seek Capital Outlay Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
From local sources							
Property taxes	$2,269,638	$				$367,946	$2,637,584
Motor vehicle taxes	230,783						230,783
Utility tax	593,046						593,046
Earnings on investments	107	18		80,739		385	81,249
Other local revenues	99,874	110,524				217,834	428,232
Intergovernmental - State	9,216,200	617,427	87,484		227,228	691,486	10,839,825
Intergovernmental - Federal	65,086	1,832,737					1,897,823
Total revenues	12,474,734	2,560,706	87,484	80,739	227,228	1,277,651	16,708,542
Expenditures							
Instruction	9,078,656	2,454,078				203,056	11,735,790
Support services							
Student	454,673	43,095					497,768
Instruction staff	789,494	(16,898)					772,596
District administration	941,075						941,075
School administration	812,241						812,241
Business	491,324						491,324
Plant operation and maintenance	1,025,040						1,025,040
Student transportation	466,265	13,504					479,769
Community service activities		94,500				311	94,811
Facilities and Construction				1,465,002			1,465,002
Debt service					1,876,881		1,876,881
Total expenditures	14,058,768	2,588,279		1,465,002	1,876,881	203,367	20,192,297
Excess(deficit)of revenues over expenditures	(1,584,034)	(27,573)	87,484	(1,384,263)	(1,649,653)	1,074,284	(3,483,755)
Other Financing Sources (Uses)							
Lease proceeds	142,569						142,569
Operating transfers in	226,022	17,619			1,649,653	13,838	1,907,132
Operating transfers out	(71,309)	(17,607)	(175,801)	(720,678)		(889,123)	(1,874,518)
Total other financing sources (uses)	297,282	12	(175,801)	(720,678)	1,649,653	(875,285)	175,183
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	(1,286,752)	(27,561)	(88,317)	(2,104,941)	0	198,999	(3,308,572)
Fund balance, July 1, 2024	(58,196)	47,825	1,183,168	3,224,142	0	214,952	4,611,891
Fund balance, June 30, 2025	($1,344,948)	$20,264	$1,094,851	$1,119,201	$0	$413,951	$1,303,319

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
RECONCILATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

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

Total net change in fund balances - governmental funds		($3,308,572)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		
Depreciation and Amortization Expense	(645,937)	
Capital Outlays	341,686	(304,251)
Prepaid expenses		(60,960)
OPEB asset		23,374
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of Bond Principal		1,445,101
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		
Repayment of Lease Principal		37,551
Lease Proceeds		(142,569)
Repayment of Subscription Principal		2,488
Deferred Outflows		(818,972)
Deferred Inflows		755,527
Generally, expenditures recognized in this 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.		
Change in Pension Liability		487,742
Change in OPEB Liability		218,000
Change in Accrued Interest		6,670
Change in Sick Leave		(9,124)
Total Change in Net Position - Governmental Activities		($1,667,995)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2025

	Business-Type Activities Enterprise Funds Food Service Fund
ASSETS	
Cash in Bank	$150,483
Accounts receivable	751
Inventory	20,879
OPEB asset	10,625
Capital Assets, net of depreciation	101,420
TOTAL ASSETS	$284,158
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension	$86,951
Deferred outflows from OPEB	30,429
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$117,380
LIABILITIES	
Accounts payable	$829
Pension liability - Long term	366,971
TOTAL LIABILITIES	$367,800
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	$69,877
Deferred inflows from OPEB	114,770
TOTAL DEFERRED INFLOWS OF RESOURCES	$184,647
NET POSITION	
Net Investment in Capital Assets	$101,420
Restricted	(252,329)
TOTAL NET POSITION	($150,909)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds Food Service Fund
OPERATING REVENUES	
Lunchroom sales	$13,226
Total Operating Revenues	13,226
OPERATING EXPENSES	
Salaries and wages	212,173
Employee benefits	295,786
Contract services	25,964
Materials and supplies	390,742
Depreciation	14,663
Total Operating Expenses	939,328
Operating income (loss)	(926,102)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	644,145
Commodities received	33,126
State grants	5,502
State on-behalf payments	47,523
Indirect cost transfer	(32,614)
Interest income	8,847
Non-operating revenues (expenses)	706,529
Net income (loss)	(219,573)
Increase (decrease) in Net Position	(219,573)
Net Position, July 1, 2024	68,664
Net Position, June 30, 2025	($150,909)

See accompanying notes

BEREA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds Food Service Fund	
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers		$13,226
Cash paid to employees, including benefits		(271,332)
Cash paid to suppliers		(389,480)
Net cash provided by operating activities		(647,586)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from government funding		648,897
Net cash provided from capital and related financing activities		648,897
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases		(80,028)
Indirect cost transfer to general fund		(32,614)
Net cash provided from capital and related financing activities		(112,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		8,847
Net cash provided from investing activities		8,847
Net increase (decrease) in cash		(102,484)
Cash and equivalents, July 1, 2024		252,967
Cash and equivalents, June 30, 2025		$150,483
Reconcilation of Operating income (loss) to Net Cash Provided by Opeating Activities		
Operating income (loss)		($926,102)
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation		14,663
On-behalf payments		47,523
Commodities used		33,126
(Increase) Decrease in accounts receivable		
(Increase) Decrease in inventory		(6,729)
(Increase) Decrease in OPEB asset		6,329
(Increase) Decrease in Deferred outflows		3,994
Increase (Decrease) in Deferred inflows		(44,198)
Increase (Decrease) in Accounts payable		829
Increase (Decrease) in Pension Liability		222,979
Net cash provided by operating activities and increase in cash and equivalents		($647,586)
Schedule of Non-Cash Financing Activities		
Donated commodities	$33,126	
On Behalf payments	$47,523	

See accompanying notes

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined 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 Board, for financial purposes, includes all of 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 Band Boosters, Athletic Boosters, and Parent-Teacher Associations, etc.

The financial statements of the Board 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:

Berea Independent Board of Education Finance Corporation (the Corporation) – the Berea Independent Board of Education has established the Berea Independent Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The board members of the Berea Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. <u>Governmental Fund Types</u>

(A) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund (Fund 2, 21, and 25) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It 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. Fund 2 is a major fund of the District.

(C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan. This is a major fund for the current year.
2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) 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.

The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund for the current year.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.evenues – Exchanges and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, 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 sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On 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 nonexchange transactions must also be available before they can be recognized.

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred 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.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2025, to finance operations were $.845 per $100 valuation for real property, $.878 per $100 valuation for business personal property and $.591 per $100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

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 will be classified as Nonspendable Fund Balance.
Restricted Fund Balance
Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance
Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.
Assigned Fund Balance
Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.
Unassigned Fund Balance
Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans 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.

Capital Assets

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

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

All reported capital assets 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:

Description	Governmental Activities Estimated Lives
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 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 account “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

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

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

Cash and Cash Equivalents

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

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2025 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Postemployment Benefits Other than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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 noncurrent 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.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

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

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through February 27, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the District.

Interfund Activity

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

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2025 were levied on the assessed valuation of property located in the School District as of January 1, 2024 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Discount, 2%	by November 1
Face value amount payment date	November 2 thru December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was $5,804,747. Of the total cash balance $250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2025 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	$	$(1,621,196)
Special Revenue		0
District Activity		62,241
School Activity		171,416
SEEK Capital Outlay		1,094,851
FSPK		180,406
Construction		1,119,201
Food Service		150,483
Total General Checking Account	$ 1,596,261	$ 1,157,402

Breakdown per financial statements:

Governmental Funds	$ 1,006,919
Proprietary Funds	150,483
TOTALS	$ 1,157,402

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2025, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE-D-CAPITAL ASSETS

June 30, 2025 capital asset activity for the fiscal year ended June 30, 2025 was as follows:

Business-Type Activities	Ending	Additions	Deletions	Ending
General Equipment	189,987	80,028		270,015
Total Historical Cost	189,987	80,028		270,015
Accumulated Depreciation				
General Equipment	153,932	14,663		168,595
Total Accumulated Depreciation	153,932	14,663		168,595
Capital Assets - Net	36,055	65,365		101,420

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	11,000			11,000
Land Improvements	61,490			61,490
Buildings/Bldg Improvements	20,412,026			20,412,026
Technology Equipment	24,702			24,702
Vehicles	989,210	430,645		1,419,855
General Equipment	55,776	150,000		205,776
Construction Work In Process	2,254,141		368,089	1,886,052
	23,808,345	580,645	368,089	24,020,901
Accumulated Depreciation				
Land Improvements	61,490			61,490
Buildings/Bldg Improvements	9,444,242	395,497		9,839,739
Technology Equipment	24,702			24,702
Vehicles	749,164	110,436		859,600
General Equipment	48,582	1,040		49,622
Total Accumulated Depreciation	10,328,180	506,973	0	10,835,153
	13,480,165	73,672	368,089	13,185,748
Intangible Right to Use assets	97,676	129,129	97,676	129,129
Intangible Subscription assets	322,197			322,197
Accumulated Amortization	(183,249)	(138,964)	97,676	(224,537)
Capital Assets - Net	13,716,789	63,837	368,089	13,412,537

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

Instruction	$ 208,690
Support Services	
Student	3,051
Plant operations & maintenance	187,847
Student transportation	107,385
Amortization	138,964
Total Depreciation expense, governmental activities	$ 645,937

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District’s future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2013	1,400,000	0.08% -3.00%
2016R	5,325,000	1.50% - 3.00%
2017	3,750,000	3.00% - 3.625%
2017R	1,350,000	3.00%
2023	5,340,000	4.00% - 4.125%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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 following is a summary of the District’s long-term debt transactions for the year ended.

	Beginning	Additions	Reductions	Ending	Current
Bonds	$13,075,000		$1,430,000	$11,645,000	$885,000
Net Bond Premiums (Discounts)	(37,124)		15,101	(52,225)	
Lease Liability	12,859	142,569	37,551	117,877	23,748
Subscription Liability	4,283		2,488	1,795	1,795
Sick Leave	227,327	9,124	0	236,451	35,298
Total	$13,282,345	$151,693	$1,485,140	$11,948,898	$945,841

The bonds 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, 2025 for debt service (principal and interest) are as follows:

	Berea Independent Schools		KY School Construction Commission		
Year	Principal	Interest	Principal	Interest	Total
2025-26	$702,310	$352,435	$182,690	$45,471	$1,282,906
2026-27	728,147	330,530	186,853	40,376	1,285,906
2027-28	755,583	307,844	179,417	35,336	1,278,180
2028-29	791,122	283,892	133,878	31,101	1,239,993
2029-30	483,708	270,384	116,292	27,285	897,669
2031-35	2,767,312	1,087,315	467,688	81,591	4,403,906
2035-40	2,519,282	561,113	155,718	26,163	3,262,276
2040-43	1,416,536	118,513	58,464	4,864	1,598,377
	$10,164,000	$3,312,026	$1,481,000	$292,187	$15,249,213

NOTE F – INTANGIBLE RIGHT-TO-USE LEASE LIABILITIES

The following is a schedule by years of the future minimum lease payments under lease together with the present value of the net minimum lease payments as of June 30, 2025:

Year Ending June 30,	Capital Lease Payable
2026	$ 27,156
2027	27,156
2028	27,156
2029	27,156
2030	20,367
Thereafter	0
Total minimum lease payment	128,991
Less: Amount representing interest	(11,114)
Present Value of Net Minimum Lease Payments	$ 117,877

NOTE G – INTANGIBLE SUBSCRIPTION LIABILITIES

The following is a schedule by years of the future minimum subscription payments as of June 30, 2025:

Year Ending June 30,	Subscription Payable
2026	$ 1,856
Less amount representing interest	(61)
Present Value of Subscription Payments	$ 1,795

NOTE H – CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE I – 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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE J – 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. At June 30, 2025, this amount totaled $236,451 of which $0 is restricted in the current year fund balance of the General Fund.

NOTE K – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2025, consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue	$ 214,014

NOTE L – 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 workers' compensation, errors and omissions, and general liability coverage, the District purchases various commercial insurance.

NOTE M – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 1	(1,286,752)
Fund 2	(27,561)
Fund 21	(6,664)
Fund 310	(88,317)
Fund 360	(2,104,941)
Fund 51	(219,573)

NOTE N – 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. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year

Type	From Fund	To Fund	Purpose	Amount
Operating	310	1	COFT	$175,801
Operating	2	1	Indirect cost	$17,607
Operating	1	2	KETS	$17,619
Operating	1	400	Debt Service	$53,690
Operating	25	21	SWEEP	$6,000
Operating	25	25	Interfund	$7,838
Operating	320	400	debt Service	$875,285
Operating	360	400	Debt Service	$720,678
Operating	51	1	Indirect cost	$32,614
				$1,907,132

NOTE P – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	$ 1,599,133
Life Insurance	1,958
Administrative Fees	15,592
HRA/Dental/Vision	56,088
Federal Reimbursement	(139,719)
Technology	40,243
TRS	2,172,956
SFCC Debt Service	227,228
Total	$3,973,479

Fund 1 On Behalf Payments	$3,698,728
Fund 51 On Behalf Payments	47,523
Fund 400	227,228
Total	$3,973,479

NOTE Q – DEFERRED OUTFLOWS FROM ADVANCED BOND REFUNDINGS

The District has issued Refunding Revenue Bonds. The following is a summary of the Unamortized amounts.

Deferred Outflows from Advance Bond Refundings

Beginning Balance	Additions	Current Amortization	Ending Balance
$ 78,440	$ 0	$ 22,235	$ 56,205

NOTE R – GASB 88

The provisions of GASB 88 were adopted by the District. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The District has the following lines of credit:

Amazon	$ 83,000
VISA	$ 25,000

NOTE Q – RETIREMENT PLANS

	Fund 1	Fund 51	Total
Deferred Outflows			
Subsequent CERS Pension Contributions	290,296	41,797	332,093
CERS Pension	331,130	45,154	376,284
Subsequent CERS OPEB Contributions	0	0	0
CERS OPEB	223,146	30,429	253,575
Subsequent TRS OPEB Contributions	201,629	0	201,629
TRS OPEB MIF	1,352,000	0	1,352,000
TRS OPEB LIF	0	0	0
	2,398,201	117,380	2,515,581
Deferred Inflows			
CERS Pension	512,429	69,877	582,306
CERS OPEB	841,649	114,770	956,419
TRS OPEB MIF	1,536,000	0	1,536,000
TRS OPEB LIF	0	0	0
	2,890,078	184,647	3,074,725
Pension Liability			
CERS	2,691,119	366,971	3,058,090
OPEB Liability			
CERS	(77,915)	(10,625)	(88,540)
TRS MIF	2,128,000	0	2,128,000
TRS LIF	0	0	0
	2,050,085	(10,625)	2,039,460

Teachers' Retirement System of the State of Kentucky (TRS)

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – 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 education agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://trs.ky.gov/financial-reports-information.

Benefits Provided – The following summary describes the main benefit and contribution provisions of the System.

Definitions - "Final average salary" means the average of the five highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution or agency has picked up the members contributions. For a member who retires after attaining age 55 with 27 years of service, "final average salary" means the average of the three highest annual salaries.

Service Retirement Allowance

TRS 1 and TRS 2 Members

Condition for Retirement: Completion of 27 years of service or attainment of age 55 and 5 years of service.

Amount of Allowance:
The annual retirement allowance for non-university members is equal to:
2.0% of final average salary multiplied by service before July 1, 1983, plus
2.5% of final average salary multiplied by service after July 1, 1983.

For individuals who become members of the retirement system on or after July 1, 2002 and have less than 10 years of service at retirement, the retirement allowance is 2.0% of final average salary multiplied by service. If, however, they have 10 or more years, they receive a benefit percentage of 2.5% for all years of service up to 30 years.

For members retiring on or after July 1, 2004, the retirement allowance formula is 3.0% of final average salary of each year of service credit earned in excess of 30 years.

For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

TRS 3 Members

Condition for Retirement: Completion of 27 years of service, attainment of age 60 and 5 years of service or attainment of age 55 and 10 years of service.

Amount of Allowance:
The annual retirement allowance for non-university members is equal to:
1.7% of final average salary if service is 10 years or less.
2.0% of final average salary if service is greater than 10 years and no more than 20 years.
2.3% of final average salary if service is greater than 20 years but no more than 26 years.
2.5% of final average salary if service is greater than 26 years but no more than 30 years.
3.0% of final average salary for years of service greater than 30 years.

TRS 4 Members

Condition for Retirement: Attainment of age 57 and 10 years of service or attainment of ager 65 and 5 years of service.

Amount of Allowance:
Foundational Benefit: The annual foundational benefit for members is equal to service times a multiplier times final average salary. The multiplier for non-university members is shown in the following table:

		Years of Service		
Age	5-9.9	10-19.99	20-29.99	30 or more
57-60	0	1.70%	1.95%	2.20%
61	0	1.74%	1.99%	2.24%
62	0	1.78%	2.03%	2.28%
63	0	1.82%	2.07%	2.32%
64	0	1.86%	2.11%	2.36%
65 & Over	1.90%	1.90%	2.15%	2.40%

The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

Supplemental Benefit: The annual supplemental benefit is equal to the account balance which included member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

In addition, there are Disability Retirement Allowances and benefits payable on separation from service.

Life Insurance: A separate Life Insurance Trust has been created as of June 30, 2000 to pay benefits on behalf of deceased TRS active and retired members.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

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

Medical Insurance Plan

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

Eligibility for access to retiree medical plan coverage: Members before 7/1/2008 – completion of 27 years of service, or attainment of age 55 and 5 years of service. Member on and after 7/1/2008 but before 1/1/2022 – completion of 27 years of service, or attainment of age 55 and 10 years of service, or attainment of age 60 and 5 years of service. Members on and after 1/1/2022 – attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Life Insurance Plan Benefits:

Effective July 1, 2000, the Teachers' Retirement System shall:

(a) Provide a life insurance benefit in a minimum amount of five thousand dollars ($5,000) for its members who are retired for service or disability if hired prior to January 1, 2024. Provide a life insurance benefit in a minimum amount of ten thousand dollars ($10,000) for its members who are retired for service or disability if hired on or after January 1, 2024. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and

(b) Provide a life insurance benefit in a minimum amount of two thousand dollars ($2,000) for its active contributing members if hired prior to January 1, 2024. Provide a life insurance benefit in a minimum amount of five thousand dollars ($5,000) for its active contributing members if hired on or after January 1, 2024. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

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

At June 30, 2025, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	$ 30,633,321

The net pension liability was measured as of June 30, 2024, 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 was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the State's proportion for the District was 1.8630 percent.

For the year ended June 30, 2024, the State recognized pension expense for the District of $3,745,940 and revenue of $2,172,956 for support provided by the State on the Fund financial statements.

Actuarial assumptions – The total pension liability in the June 30, 2024 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 pension plan investment expense, compounded annually, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation	2.75%

Mortality rates were based on the Pub-2010 (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 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 Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The annual actuarial valuation used was performed as of June 30, 2023.

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 most recent target asset 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:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rates of Return**
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.9%
High Yield Bonds	2.0%	3.8%
Other Additional Categories	8.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Discount rate - The discount rate used to measure the TPL as of the Measurement Date 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 Actuarially Determined Contribution 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 members. 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.

The following table presents the State's proportionate share of the net pension liability for the District of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension 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%)
System's net pension liability	$39,915,869	$30,633,321	$22,999,191

June 30, 2023 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2024 using standard roll forward techniques.

The District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

The District did not have any collective amounts to report as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in future years as pension expense.

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

OPEB

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated Valuation Date. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule for the year ending June 30, 2024 for the Life Trust:

Valuation Date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period (Closed)	23 years
Asset valuation method	5-year smoothed value
Inflation	2.50%
Real wage growth	0.50%
Wage Inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Discount Rate	7.10%

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

Mortality rates were based on the Pub-2010 (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 June 30, 2023 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, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown 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 Total OPEB Liability (TOL) as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, using assumptions based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
Health Trust	7.10%
Life Trust	7.10%
Municipal Bond Index Rate	3.94%
Year FNP is projected to be depleted	
Health Trust	n/a
Life Trust	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price Inflation	
Health Trust	7.10%
Life Trust	7.10%
Health Trust Health Care Cost Trends	
Medical Trend	6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FYE 2031
Medicare Part B Premiums	5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035

The long-term expected rate of return on Health Trust and Life Trust 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 following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Health Net OPEB Liability	$1,437,000	$2,128,000	$2,986,000

	Health Care NOL Rate Sensitivity		
	6.1%	7.1%	8.1%
Health Net OPEB Liability	$2,827,000	$2,128,000	$1,549,000

Health Trust **Discount rate (SEIR)**: The discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust.

Projected cash flows:
Health Trust discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date 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, 2022. In addition to the actuarial methods and assumptions of the June 30, 2023 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.

As administrative expenses, other than the administrative fee of $8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.

Cash flows occur mid-year.

Future contribution 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

To reflect these adjustments, open group projections were used and 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. 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).

In developing the adjustments to the statutory contributions in future years, the following was assumed:
Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date 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, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 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 (ADC) 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 applies.
As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
Active employees do not contribute to the plan.
Cash flows occur mid-year.

Based on these assumptions, the Life Trust's FNP was not projected to be depleted.

The FNP projections are based upon the Health Trust's and the Life Trust's financial statuses on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 75. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the Health Trust and the Life Trust will actually run out of money, the financial condition of the Health Trust and Life Trust, or the Health Trust's and the Life Trust's ability to make benefit payments in future years.

The target asset 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:

Health Insurance Trust

Asset Class	**Target Allocation**	**Long-Term Expected Real Rates of Return**
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%
Total	100.0%	

Life Insurance Trust

Asset Class	**Target Allocation**	**Long-Term Expected Real Rates of Return**
U.S. Equity	40.0%	5.2%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.0%	1.9%
Other Additional Categories	5.0%	4.0%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

The following is the Proportionate Share of the Net OPEB Liability:

District	State	Total
$2,128,000	$1,939,000	$4,067,000

District's Proportion of the Collective NOL

	Current Year	Prior Year
Health	0.095467%	0.096306%
Life	0.000000%	0.000000%

There is no Life Insurance Trust OPEB Liability.

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is $1,000.

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The table below provide a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows will be determined by the System.

Health Insurance Trust	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$0	$639,000
Change of Assumptions	542,000	0
Net Difference between Projected and Actual Investment Earnings	0	68,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	810,000	829,000
SUBTOTAL	$1,352,000	$1,536,000
Subsequent Contributions	201,629	0
TOTAL	$1,553,629	$1,536,000

There are no deferred outflows or inflows for the Life Insurance Trust.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date	Deferred Outflows/ (Inflows) of Resources Heath Insurance Trust	Deferred Outflows/ (Inflows) of Resources Life Insurance Trust
Year 1	($83,000)	$0
Year 2	54,000	0
Year 3	31,000	0
Year 4	(89,000)	0
Year 5	(95,000)	0
Thereafter	(2,000)	0
TOTAL	$(184,000)	0

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in TRS.

KENTUCKY PUBLIC PENSIONS AUTHORITY
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Public Pensions Authority (KPPA) Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 19.71% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the District's proportion was 0.1890480%.

For the year ended June 30, 2025, the District recognized pension expense of $265,428. At June 30, 2025, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of $332,093, deferred outflows of resources from change of assumptions and expectations of $376,284, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of $582,306.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	$148,017	$0
Assumption changes	0	138,166
Investment experience	210,022	406,641
Changes in proportion and differences between District contributions and proportionate share of contributions	18,245	37,499
Total	$376,284	$582,306
Subsequent Contributions	332,093	0
TOTAL	$ 708,377	$582,306

District contributions subsequent to the measurement date of $332,093 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

Year	Deferred Outflows (Inflows)
2025	$ (128,601)
2026	41,980
2027	(75,582)
2028	(43,819)
2029	0
	$(206,022)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability
The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2024. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Payroll Growth Rate	0.00%
Inflation	2.50%
Salary Increase	3.30% to 15.30%, varies by service
Investment Rate of Return	5.25%,

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions on May 9, 2024. The Total Pension Liability as of June 30, 2024 is determined using these updated assumptions.

House Bill 506 passed during the 2024 legislative session and reinstated the Partial Lump sum Option Form of payment for members who retire on and after January 1, 2025, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2023.

Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount are considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

The mortality table used for active members was a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a bae year of 2010.

Discount Rate: The projection of cash flows used to determine the discount rate of 5.25% for the CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 8 (passed in 2021) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KRS's combining financial statements. KRS's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

The long-term (10-year) expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous system.

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	**100.00%**	**5.75%**

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension

Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	$ 3,942,377	$ 3,058,090	$ 2,324,364

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at https://kyret.ky.gov.

Payables to the pension plan: At June 30, 2025 the District had payables to CERS in the amount of $0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2024, using generally accepted actuarial principles.

Discount Rate:

Single discount rate of 5.99% was used to measure the total OPEB liability as of June 30, 2024. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer's subsidy is not currently being included in the calculation of the plans actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

The District's proportionate share of the Net OPEB Liability as of June 30, 2024 is $(88,540). The District's proportionate share is 0.0511850%. The District's proportionate share of the OPEB expense is $(247,693). The total Deferred Outflows of Resources is $253,575 and the total Deferred Inflows of Resources is $956,419. Total employer contributions were $0, implicit subsidy was $24,001 for a total contribution of $24,001.

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.99%	5.99%	6.99%
Net OPEB Liability	119,716	(88,540)	(263,642)

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
Net OPEB Liability	(213,016)	(88,540)	56,466

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2024.

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%/ The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs. The Total OPEB liability as of June 30, 2024 is determined using these updated assumptions.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2024. Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The Total OPEB Liability as of June 30, 2024, is determined using these updated assumptions.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	$49,121	$696,635
Assumption Changes	80,228	62,474
Investment Experience	77,829	158,627
Change in Proportionate & Differences between Employer Contrib & Proportionate Share of Plan Contributions	46,397	38,683
Subtotal	253,575	956,419
Subsequent Contribution	0	0
TOTAL	$253,575	$956,419

The $0 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% if the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30,2019 *Gains/Losses incurring after 2019 will be amortized over separate closed 20-year amortization basis*
Payroll Growth Rate	2.00%
Investment Rate	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Mortality	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
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows/ (Inflows) of Resources MIF,841
2025	$ (291,971)
2026	(206,168)
2027	(194,841)
2028	(9,864)
2029	0
thereafter	0
Total	$(702,844)

Long Term Expected Investment Return

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

NOTE R – ADOPTION OF NEW GASB STATEMENTS 101 AND 102

The District adopted GASB 101, Compensated Absences, and GASB 102, Certain Risk Disclosures.

GASB Statement No. 101 was 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 of GASB No. 101.

GASB Statement No. 102 was effective for fiscal years beginning after June 15, 2024 (the District's 2025 fiscal year). This standard is focused on additional disclosures about concentrations and constraints that may have a substantial impact on the District's financial statements.

SUPPLEMENTARY INFORMATION

BEREA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For The Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	$2,828,597	$3,043,481	$3,093,467	$49,986
Other Local Sources	28,000	47,852	99,981	52,129
Federal Sources	41,000	60,578	65,086	4,508
State Sources	9,786,548	9,046,978	9,216,200	169,222
TOTAL REVENUES	12,684,145	12,198,889	12,474,734	275,845
EXPENDITURES				
Instruction	9,429,900	9,453,515	9,078,656	374,859
Support Services				
Student	320,150	307,436	454,673	(147,237)
Instructional Staff	347,451	515,832	789,494	(273,662)
District Administration	948,839	974,186	941,075	33,111
School Administration	462,725	524,065	812,241	(288,176)
Business	397,950	437,759	491,324	(53,565)
Plant Operation and Maintenance	1,110,953	936,451	1,025,040	(88,589)
Student Transportation	557,484	526,878	466,265	60,613
Contingency	1,191,084	288,432	0	288,432
TOTAL EXPENDITURES	14,766,536	13,964,554	14,058,768	(94,214)
Excess (Deficit) of Revenues Over Expenditures	(2,082,391)	(1,765,665)	(1,584,034)	181,631
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	0	0	142,569	142,569
Operating Transfers In	316,944	354,256	226,022	(128,234)
Operating Transfers Out	(934,553)	(733,469)	(71,309)	662,160
TOTAL OTHER FINANCING SOURCES (USES)	(617,609)	(379,213)	297,282	676,495
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(2,700,000)	(2,144,878)	(1,286,752)	858,126
Fund Balance, July 1, 2024	2,700,000	65,000	(58,196)	(123,196)
Fund Balance, June 30, 2025	$0	($2,079,878)	($1,344,948)	$734,930

BEREA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
For The Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	$0	$543,751	$617,427	$73,676
Federal Sources	0	1,098,118	1,832,737	734,619
Local Sources	0	71,825	110,542	38,717
TOTAL REVENUES	0	1,713,694	2,560,706	847,012
EXPENDITURES				
Instruction	0	1,576,083	2,454,078	(877,995)
Support Services				
Student	0	43,095	43,095	0
Instructional Staff	0	0	(16,898)	16,898
Student Transportation	0	5,115	13,504	(8,389)
Community Service Operations	0	94,500	94,500	0
TOTAL EXPENDITURES	0	1,718,793	2,588,279	(869,486)
Excess (Deficit) of Revenues Over Expenditures	0	(5,099)	(27,573)	(22,474)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	10,068	17,619	7,551
Operating Transfers Out	0	(5,013)	(17,607)	(12,594)
TOTAL OTHER FINANCING SOURCES (USES)	0	5,055	12	(5,043)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(44)	(27,561)	(27,517)
Restricted Fund Balance, July 1, 2024	0	0	47,825	47,825
Restricted Fund Balance, June 30, 2025	$0	($44)	$20,264	$20,308

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)										
TRS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CERS	$3,058,090	$3,322,853	$3,671,616	$2,937,451	$4,091,364	$4,511,979	$3,676,047	$3,779,890	$3,823,108	$2,646,907
Total	$3,058,090	$3,322,853	$3,671,616	$2,937,451	$4,091,364	$4,511,979	$3,676,047	$3,779,890	$3,823,108	$2,646,907
District's proportionate share of the net pension liability (asset)										
TRS	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
CERS	0.051135%	0.051786%	0.050790%	0.046072%	0.053343%	0.064154%	0.060359%	0.064577%	0.066680%	0.06156%
State's proportionate share of the net pension liability (asset) associated with the District										
TRS	$30,633,321	$31,310,106	$31,986,760	$21,555,208	$23,576,553	$22,992,887	$21,201,128	$42,117,905	$45,963,233	$35,761,800
District's covered employee payroll										
TRS	$7,164,823	$7,137,540	$7,078,581	$6,435,880	$6,477,748	$5,960,887	$5,512,783	$5,288,428	$5,397,925	$5,330,136
CERS	$1,644,002	$1,536,266	$1,439,984	$1,127,203	$1,313,706	$1,555,604	$1,481,769	$1,534,537	$1,590,129	$1,436,345
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll										
TRS	0.00%	0.00%	0.00%.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CERS	186.01%	213.06%	255.08%	246.67%	290.64%	276.95%	244.62%	239.60%	201.64%	182.91%
Plan fiduciary net position as a percentage of the total pension liability										
TRS	60.36%	57.68%	56.41%	65.59%	58.27%	58.76%	59.28%	39.83%	35.22%	42.49%
CERS	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
For The Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions										
TRS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CERS	$332,093	$383,710	$350,594	$301,256	$222,204	$268,713	$265,768	$216,620	$219,335	$189,444
Total	$332,093	$383,710	$350,594	$301,256	$222,204	$268,713	$265,768	$216,620	$219,335	$189,444
Contributions in relation to the contractually required contribution										
TRS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CERS	$332,093	$356,625	$324,567	$278,614	$276,995	$241,762	$217,665	$206,975	$173,396	$183,002
Total	$332,093	$356,625	$324,567	$278,614	$276,995	$241,762	$217,665	$206,975	$173,396	$183,002
Contribution deficiency (excess)										
TRS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CERS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered employee payroll										
TRS	$7,561,829	$7,164,823	$7,137,540	$6,008,939	$6,435,880	$6,477,784	$5,964,790	$5,512,783	$5,288,428	$5,397,925
CERS	$1,684,896	$1,644,002	$1,539,043	$1,423,033	$1,147,334	$1,391,303	$1,638,519	$1,481,769	$1,534,537	$1,590,129
Total	$9,246,725	$8,808,825	$8,676,583	$7,431,972	$7,583,214	$7,869,087	$7,603,309	$6,994,552	$6,822,965	$6,988,054
Contributions as a percentage of covered employee payroll										
TRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CERS	19.71%	23.34%	22.78%	21.17%	19.37%	19.31%	16.22%	14.62%	14.29%	11.91%

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For The Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability (asset)								
CERS	($88,540)	($71,496)	$1,002,170	$881,815	$1,287,685	$1,078,755	$1,071,627	$1,298,219
TRS - Medical Insurance	$2,128,000	$2,346,000	$3,376,000	$1,891,000	$2,241,000	$2,614,000	$2,887,000	$2,922,000
TRS - Life Insurance	$0	$0	$0	$0	$0	$0	$0	$0
Total	$2,039,460	$2,274,504	$4,378,170	$2,772,815	$3,528,685	$3,692,755	$3,958,627	$4,220,219
District's proportionate share of the net OPEB liability (asset)								
CERS	0.051185%	0.015784%	0.050781%	0.046061%	0.053327%	6.413700%	0.063036%	0.064577%
TRS - Medical Insurance	0.095467%	0.096306%	0.135982%	0.088139%	0.088811%	0.089324%	0.083195%	0.081937%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Total								
State's proportionate share of the net OPEB liability (asset) associated with the District								
TRS - Medical Insurance	$1,896,000	$1,168,000	$618,000	$946,000	$ 1,079,000	$1,227,000	$1,570,000	$1,585,000
TRS - Life Insurance	$43,000	$29,000	$31,000	$13,000	$ 33,000	$28,000	$27,000	$21,000
Total	$1,939,000	$1,197,000	$649,000	$959,000	$ 1,112,000	$1,255,000	$1,597,000	$1,606,000
District's covered employee payroll								
TRS	$6,130,698	$4,327,282	$3,905,670	$3,697,779	$3,537,547	$3,449,754	$3,430,976	$3,502,128
CERS	$1,644,002	$1,581,202	$1,460,251	$1,460,820	$1,444,202	$1,500,587	$1,509,985	$1,488,700
Total	$7,774,700	$5,908,484	$5,365,921	$5,158,599	$4,981,749	$4,950,341	$4,940,961	$4,990,828
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll								
CERS	-5.38%	-4.32%	69.60%	78.23%	98.02%	69.35%	72.32%	84.60%
TRS - Medical Insurance	34.71%	39.89%	56.22%	36.49%	34.60%	50.48%	52.37%	55.25%
TRS - Life Insurance	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 OPEB liability								
CERS	104.89%	104.23%	60.95%	89.15%	51.67%	60.44%	57.62%	52.40%
TRS - Medical Insurance	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%
TRS - Life Insurance	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%

Note: The 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
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
For The Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions									
CERS	$0	$0	$64,178	$82,251	$54,803	$66,273	$86,186	$70,312	$74,369
TRS - Medical Insurance	$201,629	$198,240	$182,160	$180,431	$156,447	$156,847	$155,335	$148,196	$140,381
TRS - Life Insurance	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$201,629	$198,240	$246,338	$262,682	$211,250	$223,120	$241,521	$218,508	$214,750
Contributions in relation to the contractually required contribution									
CERS	$0	$0	$64,178	$82,251	$54,803	$66,273	$86,186	$70,312	$74,369
TRS - Medical Insurance	$201,629	$198,240	$182,160	$180,431	$156,447	$156,847	$155,335	$148,196	$140,381
TRS - Life Insurance	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$201,629	$198,240	$246,338	$262,682	$211,250	$223,120	$241,521	$218,508	$214,750
Contribution deficiency (excess)									
CERS	$0	$0	$0	$0	$0	$0	$0	$0	$0
TRS - Medical Insurance	$0	$0	$0	$0	$0	$0	$0	$0	$0
TRS - Life Insurance	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$0	$0	$0	$0	$0	$0	$0	$0	$0
District's covered employee payroll									
TRS	$6,720,957	$6,130,698	$5,880,477	$4,392,182	$5,181,683	$5,229,133	$5,180,692	$5,512,783	$5,288,428
CERS	$1,691,590	$1,644,002	$1,539,043	$1,423,033	$1,147,334	$1,391,303	$1,638,519	$1,481,769	$1,534,537
Total	$8,412,547	$7,774,700	$7,419,520	$5,815,215	$6,329,017	$6,620,436	$6,819,211	$6,994,552	$6,822,965
Contributions as a percentage of covered employee payroll									
TRS	3.00%	3.23%	3.10%	4.11%	3.02%	3.00%	3.00%	2.69%	2.65%
CERS	0.00%	0.00%	4.17%	5.78%	4.78%	4.76%	5.26%	4.75%	4.85%

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

GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to KPPA but allocated to the insurance fund of the KPPA. The insurance contributions are reported on the Schedule of OPEB Contributions.

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to TRS but allocated to the insurance fund of the TRS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability – KPPA and the Proportionate Share of the Net OPEB Liability – KPPA Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for KPPA Pension and KPPA OPEB.

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability – TRS and the Proportionate Share of the Net OPEB Liability – TRS Schedules are one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for TRS Pension and TRS OPEB.

CHANGES OF ASSUMPTIONS

June 30, 2025 – KPPA Pension and OPEB Nonhazardous

Pension – There have been no assumption, method or plan provision changes that would materially impact the total pension liability.

OPEB – The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increase in pre-Medicare healthcare costs.

June 30, 2025 – TRS Pension and OPEB

Pension – There have been no changes in actuarial assumptions or methods since June 30, 2021.

OPEB - There have been no changes in actuarial assumptions or methods.

June 30, 2024 – KPPA Pension and OPEB Nonhazardous

Pension – The Board of Trustees adopted new actuarial assumptions on May 9, 2023. The investment return assumption changed from 6.25% to 6.50%.

OPEB – The Board of Trustees adopted new actuarial assumption on May 9, 2023. The discount rate used to calculate the total OPEB liability increased from 5.70% to 5.93%

June 30, 2024 – TRS Pension and OPEB

Pension – There have been no changes in actuarial assumptions or methods since June 30, 2021.

Health Trust – The health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.
Life Trust - None

June 30, 2023 – KPPA Pension and OPEB Nonhazardous

Pension – There have been no changes in actuarial assumptions or methods since June 30, 2021.

OPEB – The discount rates used to calculate the total OPEB liability increased since the prior year. There were no other material assumption changes.

June 30, 2022 – TRS Pension and OPEB

Health Trust and Life Trust
A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule B of the State report.

June 30, 2021 – KPPA Pension Nonhazardous

There have been no actuarial assumption or method changes since June 30, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability.

June 30, 2021 – KPPA OPEB Nonhazardous

The single discount rates used to calculate the total OPEB liability within the plan decreased from 5.34% to 5.05%.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increased in healthcare costs.

June 30, 2021 – TRS Pension

There have been no actuarial assumption or method changes since June 30, 2020.

June 30, 2021 – TRS OPEB

The following changes to assumptions were made during the year:

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB2010 Mortality Tables (Teachers Benefit-Weighted) 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 actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

June 30, 2020 – KPPA Pension and KPPA OPEB Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020 for OPEB:

The initial healthcare trend rate for per-65 was changed from 7% to 6.4%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increased to 6.30% in 2023.

June 30, 2020 – TRS Pension and TRS OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for TRS-OPEB-Medical Insurance Plan:

The assumed investment rate of return increased from 7.5% to 8.0%.

The following changes in assumptions are made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for TRS OPEB-Life Insurance Plan:

The assumed projected salary increases decreased from a range of 3.50% - 7.45% to 3.50% - 7.20%.
The assumed municipal bond index rate was decreased from 3.5% to 2.2%.

June 30, 2019 – KPPA Pension and KPPA OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both KPPA pension and KPPA OPEB:
The assumed rate of salary increases was increased from 3.05% to 3.30% to 10.3% on average.

June 30, 2019 -TRS Pension and TRS OPEB
The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS pension:

The assumed municipal bond index rate was decreased from 3.89% to 3.50%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS OPEB-Medical Insurance Plan:

The assumed projected salary decreased from 4.0%-8.1%, including wage inflation, to 3.5%-7.2%, including wage inflation.
The assumed wage inflation dropped from 4.0% to 3.5%.
The assumed municipal bond index rate was decreased from 3.89% to 3.50%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for TRS OPEB-Life Insurance Plan:

The assumed net investment rate of return decreased from 8.0% to 7.5%.
The assumed municipal bond index was decreased from 3.89% to 3.50%.

June 30, 2018 -KPPA Pension and KPPA OPEB Nonhazardous
There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either KPPA pension or KPPA OPEB.

June 30, 2018 -TRS Pension and TRS OPEB
The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for TRS pension and TRS OPEB:

For TRS Pension the assumed discount rate was increased from 4.49% to 7.50%.
For TRS OPEB-Medical Insurance Plan health care trend rates were updated.

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP – participating members who retired 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.

June 30, 2017 -KPPA Pension Nonhazardous
The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

The assumed rate of return was decreased from 7.50% to 6.25%.
The assumed rate of inflation was reduced from 3.25% to 2.30%.
Payroll growth assumption was reduced from 4% to 2%.

June 30, 2017 -TRS Pension
The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2015 with projection scale BB, set forward two project years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with scale AA.

June 30, 2016 -KPPA Pension and KPPA OPEB Nonhazardous
There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either KPPA pension or KPPA OPEB.

June 30, 2017 -TRS Pension
The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for TRS pension:

The assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the Single Equivalent Interest Rate from 4.88% to 4.20%.

June 30, 2016 – TRS Pension
In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR resulted in an assumption change from 4.88% to 4.20%.

BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2025

	District Activity Fund	School Activity Fund	Building Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES				
Cash and equivalents	$62,241	$171,416	$180,406	$414,063
TOTAL ASSETS AND RESOURCES	$62,241	$171,416	$180,406	$414,063
LIABILITIES				
Accounts payable		$112		$112
TOTAL LIABILITIES		112		112
FUND BALANCES				
Assigned Fund Balance	$62,241	$171,304	$	$233,545
Restricted - SFCC			180,406	$180,406
TOTAL FUND BALANCES	62,241	171,304	180,406	413,951
TOTAL LIABILITIES AND FUND BALANCES	$62,241	$171,416	180,406	$414,063

BEREA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

	District Activity Fund	School Activity Fund	Building Fund	Total
REVENUES				
From local sources				
Taxes	$	$	$367,946	$367,946
Earnings on investments			385	385
Other local revenues	2,204	215,630		217,834
Intergovernmental-State			691,486	691,486
TOTAL REVENUES	2,204	215,630	1,059,817	1,277,651
EXPENDITURES				
Instruction	14,557	188,499		203,056
Community Service	311			311
TOTAL EXPENDITURES	14,868	188,499	0	203,367
Excess (deficit) revenues over expenditures	(12,664)	27,131	1,059,817	1,074,284
OTHER FINANCING SOURCES (USES)				
Operating transfers in	6,000	7,838		13,838
Operating transfers out		(13,838)	(875,285)	(889,123)
TOTAL OTHER FINANCING SOURCES (USES)	6,000	(6,000)	(875,285)	(875,285)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(6,664)	21,131	184,532	198,999
Restricted Fund Balance, July 1, 2024	68,905	150,173	(4,126)	214,952
Restricted Fund Balance, June 30, 2025	$62,241	$171,304	$180,406	$413,951

BEREA INDEPENDENT SCHOOL DISTRICT
SCHOOL ACTIVITY FUNDS
For The Year Ended June 30, 2025

BEREA HIGH SCHOOL DETAIL

	Fund Balance Beginning	Receipts	Disbursements	Fund Balance Ending
9th Grade Freshman	$313	$0	$101	$212
10th Grade Sophmore	555	127	180	502
11th Grade Juniors	3,306	6,402	3,096	6,612
12th Grade Seniors	1,591	891	832	1,650
4-H Club	199	0	0	199
Archery	1,914	6,718	4,021	4,611
Art Club	193	0	0	193
Athletic Ticket Sales	3,453	0	0	3,453
Code Pink	199	0	0	199
Concessions	160	0	0	160
Cross Country	8,780	13,293	12,369	9,704
Culinary Club	44	762	217	589
Dance Team	328	0	69	259
Destination Imagination	131	0	0	131
Differently Abled	1,366	279	101	1,544
Environmental Club	82	0	0	82
FBLA	237	0	0	237
Field Trips	32	0	0	32
General Athletics	22,767	45,002	42,795	24,974
General Operations Staff	225	0	109	116
General Operations Student	763	15	15	763
Golf	1,458	1,640	1,201	1,897
GSA	33	0	0	33
Academic Team	578	4,083	3,330	1,331
Baseball	2,230	7,475	5,740	3,965
Boys Basketball	761	21,077	21,021	817
Basketball Joint Account	56	0	0	56
Bass Club	244	392	0	636
Book Club	104	0	0	104
Boys Soccer	3,808	1,066	1,578	3,296
Cheer	2,535	1,319	1,596	2,258
Chorus	215	951	525	641
Drama Club	5,376	5,774	5,044	6,106
FCA	0	23	23	0
FCCLA	1,814	5,271	1,879	5,206
Fees	165	0	0	165
Film Club	381	0	0	381
Football	723	500	152	1,071
Future Problem Solving	75	0	0	75
Girls Basketball	20,120	29,316	29,067	20,369
Girls Soccer	1,343	825	1,356	812
Guidance	20	0	0	20
Library	47	30	0	77
Music Honor Society	60	0	0	60
Parking	5	0	0	5
Pep Club	209	0	0	209
Seed Club	42	0	24	18
Softball	3,077	7,706	4,008	6,775
Student Council	920	1,250	1,719	451

BEREA INDEPENDENT SCHOOL DISTRICT
SCHOOL ACTIVITY FUNDS
For The Year Ended June 30, 2025

BEREA HIGH SCHOOL DETAIL

	Fund Balance Beginning	Receipts	Disbursements	Fund Balance Ending
Volleyball	934	3,103	3,563	474
Wellness Club	69	0	0	69
Janet Bell Mem Fund	100	0	0	100
Key Club	86	0	0	86
Lego Club	3	0	0	3
Lighthouse Team	338	0	0	338
Majorettes	1,928	5,229	4,676	2,481
Musical Theater	192	0	0	192
National Honor Society	517	1,556	1,530	543
Newspaper Journalism	287	0	0	287
Pictures Sweep	873	0	0	873
Quidditch Club	27	0	0	27
Scholarship Fund	127	0	0	127
School Based Enterprise	1,222	0	0	1,222
School Store	112	0	0	112
Senior Beta Club	585	0	0	585
Senior Trip Account	2,752	6,594	5,135	4,211
Spanish Club	189	0	0	189
STEM	20	0	0	20
STEM Girls	439	0	0	439
STLP	134	0	0	134
Strategic Games	408	0	0	408
Student Testing	240	0	0	240
Swim Team	1,228	0	0	1,228
Target Field Trip	11	0	0	11
Technology Club	97	0	97	0
Tennis	548	200	0	748
Tournaments	3,646	0	0	3,646
Track	202	1,669	1,261	610
Unite Club	12	0	0	12
Yarn Club	7	0	0	7
Yearbook	1,598	780	1,352	1,026
Career Association (JAG)	2,744	5,164	5,196	2,712
Makerspace	3,253	1,001	869	3,385
Technolgy Student Assoc	100	483	583	0
ATH Hall of Fame	150	0	0	150
TOTAL HIGH SCHOOL	$118,215	$187,966	$166,430	$139,751
Middle School	$15,641	$20,147	$18,603	$17,185
Elementary School	$16,317	$15,355	$17,304	$14,368
TOTAL	$150,173	$223,468	$202,337	$171,304

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program (NSLP)	10.555	7750002	$492,542
Commodities	10.555	not provided	33,126
School Breakfast Program (SBP)	10.553	7760005	148,290
SubTotal Child Nutrition Cluster			673,958
State Administrative Expenses for Child Nutrition	10.560	7700001	3,313
TOTAL U.S. DEPARTMENT OF AGRICULTURE			677,271
U.S. Department of Education			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002	674,444
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002	209,328
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002	18,865
		subtotal	228,193
Rural Education	84.358	3140002	34,802
Student Support and Academic Enrichment	84.424	3420002	17,566
Supporting Effective Instruction	84.367A	3230002	47,372
Carl D Perkins Career & Technical Education Act	84.048	not provided	16,642
Passed through Berea College			
Gear Up	84.334	not provided	400,603
COVID 19 Funds			
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	4300003	48,816
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	4300005	1,645
Promoting Positive Post School Outcome (ARP ESSER)	84.425U	4300005	105,594
		TOTAL COVID	156,055

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Federal Expenditures
School Climate Transformation	84.184G	direct	248,633
Passed throug SESC Coop			
Access Mental Health	84.192A	not provided	39,771
TOTAL U.S. DEPARTMENT OF EDUCATION			1,864,081
U.S. Health and Human Services			
Passed through Kentucky Deprtment of Education			
Promoting Adolescent Health	93.079	210000	150
Child Care and Development Block Grant	93.575	not provided	(31,494)
TOTAL U.S. HEALTH AND HUMAN SERVICES			(31,344)
TOTAL EXPENDITURES OF FEDERAL AWARDS			$2,510,008

The accompanying notes are an integral part of this schedule

BEREA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Berea Independent School District (the “District) under programs of the federal government for the year ended June 30, 2025. 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 the operations of the 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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling $33,126.

DENISE M. KEENE
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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, Audits of States and Local Governments, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berea Independent Board of Education as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 two instances 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 items 2025-001 and 2025-002.

I noted certain matters that I reported to management of the District in a separate letter dated February 27, 2026.

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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
February 27, 2026

DENISE M. KEENE
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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

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

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

We have audited Berea Independent School District's (the "District") 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 District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2025.

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; 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)*. 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 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 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 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 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,* and the Uniform Guidance 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, misrepresentation, 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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, 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 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 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 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
February 27, 2026

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting	
Material weakness(es) identified?	__ yes X no
Significant deficiency(ies) identified	__yes X none reported
Noncompliance material to financial statements noted?	_X_ yes __ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	__ yes X no
Significant deficiency(ies) identified	__ yes _X_ none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.334	Gear Up

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

Auditee qualified as low-risk auditee?	__ yes _X_ no

Section II – Financial Statement Findings

2025-001 (Repeat of 2024-002)
Condition: Expenditures in excess of budgeted revenue.
Criteria: KRS 160.550
Cause: Expenditures budgeted and expended in excess of budgeted revenues and expenses.
Effect: Noncompliance with KRS 160.550, deficit spending.
Recommendation: We recommend the board adopt a non-deficit budget and ensure spending is in compliance with approved budget.
Views of Responsible Officials and Planned Corrective Actions: Management has developed a Corrective Action Plan to address this issue.

2025-002
Condition: The District has a large negative cash balance in the General Fund. In order to continue to pay expenses cash restricted for Capital Outlay and Construction is being utilized.
Criteria: Capital Outlay and Construction Funds are restricted for their intended purposes.
Cause: Expenditures in the general fund exceed the revenue.
Effect: Restricted funds are being used to cover general fund expenses.
Recommendation: We recommend the board adopt a non-deficit budget and ensure spending is in compliance with approved budget.
Views of Responsible Officials and Planned Corrective Actions: Management has developed a Corrective Action Plan to address this issue.

Section III – Federal Award Findings and Questioned Costs

None

BEREA INDEPENDENT SCHOOLS

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DR. RYAN NEAVES
SUPERINTENDENT

CHRISTINE KNIGHT
SECRETARY TO THE SUPERINTENDENT

TIM MOLTON
DIRECTOR OF ACADEMICS

CHARLIE OWENS
DIRECTOR OF FACILITIES/TRANSPORTATION

NATASHA JOHNSON
FRYSC DIRECTOR

NATHAN SWEET
DIRECTOR OF OPERATIONS

KYLE FRENCH
DIRECTOR OF PUPIL PERSONNEL

JENNIFER WHITT
DIRECTOR OF EXCEPTIONAL CHILDREN

DANIEL MONTOYA
DIRECTOR OF TECHNOLOGY

JERRY BINGHAM
ATHLETIC DIRECTOR

Finding Reference Numbers: 2025-001 & 2025-002

Description of Findings: Expenditures budgeted and expended in excess of budgeted revenues and expenses. (Repeat of 2024-002)

Restricted funds are being used to cover general fund expenses due to the large negative cash balance in the general fund.

Statement of Concurrence or Nonconcurrence:

District Management agrees with this finding. During the audit of FY24 it was uncovered that spending had outpaced revenue significantly resulting in a general fund deficit for FY24 of $58,196. While this amount was relatively small in relation to the overall budget, it also represented the depletion of general fund contingency. The district's deficit spending was brought to the attention of the school board mid-year after FY25 employment contracts were in effect and significant spending had already occurred. The large negative balance in the general fund resulted in restricted funds being used to cover general fund expenses, effectively blending funding sources as the restricted balances were higher than actual cash held by the district at different points during the year.

Corrective Action:

The district has worked closely with the Kentucky Department of Education to identify solutions and presented a budget reduction plan in March of 2024 that included a significant reduction of staff and discretionary spending for the 2025-2026 school year. The Board of Education adopted class size ratios in line with KDE recommendations and reduced staff by 10 at the Elementary School, 5.5 at the Middle School, 8.5 at the High School, along with 8 District level positions. Further, Preschool was reduced by 1 class bringing it into alignment with state Preschool funding. SBDM Section 6 allocations were reduced by 32%, restrictions were placed on travel, overtime, and discretionary spending and policy revision was enacted that added additional oversight by the School Board on all purchases over $15,000. Extra Duty stipends were removed including $166,000 specific to cleaning and transportation. Contracts related to consulting and external custodial services were eliminated and a comprehensive review of all contracts began that continues into FY26.

Step raises were frozen for all classified and certified staff for FY26 and all administrative staff received shortened contracts resulting in reduced salaries beginning in July of 2025. Overall, staffing was reduced by roughly 20% to align with state guidelines and revenues. Further analysis and a high level of scrutiny of all programs will continue as the district continues to align educational needs with available funding sources.

A comprehensive review of financial policies and procedures has been enacted in order to ensure strict compliance with best practices. This systems based work is meant to rectify the identified issues found throughout the corrective action and audit process, while creating a structure in which the same issues will be avoided in the future. This includes training and re-education of staff and anyone in the district that interacts with money (i.e., coaches, booster organizations, classroom teachers, etc.,).

During FY25 major budget revisions occurred to more clearly represent actual revenues and expenses resulting in a more accurate but non-compliant deficit budget. Moving into FY26 a working budget was adopted that represents revenues in excess of spending levels and balancing over the course of the year though still deficit when the large negative beginning balance is accounted for. It is projected that the District will reduce the negative general fund balance by up to 70% during FY26 but still end in deficit for FY26. It is further projected that during FY27 the district will be able to restore all funds to their correct restricted designations by period 6 (December 2026) and end FY27 with a positive carryforward balance.

Name of Contact Person:

Nathan Sweet
(859)986-8446
Nathan.Sweet@berea.kyschools.us

2-24-26

Anticipated Completion Date:

June 30th, 2027

Superintendent Signature:

Dr. Ryan Neaves 2-24-26

BEREA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2025

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

2024-001 was corrected as indicated.

2024-002 was not corrected. It is now 2025-001

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year.

MANAGEMENT LETTER

DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062

Berea Independent Board of Education
Berea, Kentucky

We have audited the financial statements of the Berea Independent School District for the year ended June 30, 2025 and have issued our report thereon dated February 27, 2026. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Berea Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent l imitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Berea Independent School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2024-001, and Board comment

The following items from last year's management letter points were not corrected: 2024-002.

Denise M. Keene, CPA
February 27, 2026

CURRENT YEAR MANAGEMENT POINTS

2025-003 The Board does not approve the Superintendent's expenses as part of their board meetings. I recommend the Board review and approve the Superintendent's expenses as part of their board meeting.

Management's Response:

Since July 2025 all expense reimbursements have been submitted to the Board chair for approval, moving forward these will be presented as an action item on the board agenda for approval.

2025-004 Payroll testing disclosed an employee had taxable benefits that were not included in the gross income for W-2 purposes. I recommend the District review requirements of reporting taxable benefits.

Management's Response:

This omission occurred due to payments being made directly to an insurance vendor via accounts payable rather than via payroll as a payroll vendor. Currently no employees have the type of employer paid benefit that caused this. Moving forward, if employer paid benefits are included in a contract, they will be paid via payroll vendor to ensure automatic inclusion on W2s.

2025-005 Testing disclosed new assets had not been posted since 2022. I recommend the District review it's fixed asset procedures to ensure assets are properly recorded.

Management's Response:

Assets from 2022 through 2025 had been entered into ERP but not posted to the ledger causing them to remain in a pending status. Pending assets have since been posted. Further, fixed assets will be reviewed and inventoried annually in coordination with department heads and principals to ensure that assets are both added and retired appropriately.

2025-006 The District did not comply with Model Procurement. There were three vendors paid over $40,000 that had not been bid. I recommend the District regularly review vendors to monitor expenditures that exceed $40,000.

Management’s Response:

Training on Model Procurement procedures and specifically aggregate purchase rules has been provided to pertinent district staff. Management is currently working on a review of vendors and current contracts and has shifted from going to bid only when required to also seeking bids when advantageous to the district.

2025-007 KRS 65.944, “All leases in excess of $100,000 must be reviewed by KDE’s Division of District Support and approved by the Commissioner of Education.” The District had a new copier lease during the fiscal year that exceeded $100,000 that was not approved. The District should contact KDE for approval for this lease.

Management’s Response:

KDE has been made aware of the unapproved lease and the District is currently awaiting legal review of the lease to determine if it can be approved as written or if revision will be requested prior to approval by KDE.

School Activity Funds

2025-008 According to the Redbook, “Pre-numbered tickets shall be used with **ALL** events for which admission is charged.” There were three events where tickets were not used. Two events used a multiple receipt form and the other used a arm band. I recommend the Principal remind staff that all events charging admission are required to use tickets.

Management’s Response:

District staff will prepare reminders for principals and Athletic director to disseminate to staff and coaches. Additionally, an all-staff Redbook training will be offered with attendance mandated for all individuals involved in fundraising activities or Athletics.

2025-009 There were two multiple receipt forms tested that did not have the Treasurer's signature. I recommend the Principal remind the Treasurer to sign the multiple receipt form at the time of receipt.

Management's Response:

School Bookkeeper has been provided one on one training and samples of completed Redbook forms for reference. Bookkeeper and trainer worked together to write step by step procedures for common forms including what elements are required on each.

2025-010 According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The BCES PTO did not submit their budget, or annual financial report. The Band Boosters did not turn in their budget or annual financial report. Project Graduation did not turn in their budget, annual financial report or insurance. The Football boosters did not turn in their officers, budget, annual financial report, insurance or federal Identification number. I recommend the Principal not approve any fundraisers until the information is submitted

Management's Response:

Principals will be directed to hold approvals on all fundraising activities related to these groups until the required materials have been submitted. If non-compliance continues, the district will order offending Booster Clubs to cease and desist further fundraising activities.

2025-011 According to the Redbook, "The Principal shall prepare the Principal's Combining Budget". Fund 25 does not have a budget. I recommend the Principal's Combining Budget be prepared and entered into Fund 25.

Management's Response:

Principals combining budgets were prepared and submitted prior to the beginning of the school year. Management prefers not to enter these budgets into Munis/ERP out of concern that amounts listed as "available budget" could be misleading to non-finance staff and instead requires that funds be deposited prior to allowing encumbrance.

2025-012 School Activity Fund inactive accounts should be closed.
There were 44 for the year, 36 were repeats from prior year.

Management's Response:

Many of the accounts mentioned are related to student clubs and activities that are no longer active. Some of the groups associated with the accounts appear to have been inactive for many years. School activity accounts will be reviewed with principals and bookkeeper for closure.