

***BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT***

**FINANCIAL STATEMENTS  
INCLUDING INDEPENDENT AUDITORS' REPORTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the School Committee of the  
Berkshire Hills Regional School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Berkshire Hills Regional School District of the Commonwealth of Massachusetts (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-1 through 2-8 and the schedule of other post-employment benefits funding progress on page 6-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and other awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and other schedules, and the schedule of expenditures of federal and other awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and other schedules, and the schedule of expenditures of federal and other awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The management's discussion and analysis and the schedule of other post-employment benefits funding progress have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant

December 3, 2014

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

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As management of the Berkshire Hills Regional School District of the Commonwealth of Massachusetts, 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information provided throughout this document.

**FINANCIAL HIGHLIGHTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$12,206,218 (see Exhibit A).
- The District's total net position decreased by \$3,086,006. The recognition of an increase in the other post-employment obligation of \$1,417,808, the reduction of the MSBA receivable by \$1,039,915 due to refunding, and the recognition of \$1,135,390 of depreciation expense were significant factors causing this decrease. (Exhibit B)
- The District's bond obligations decreased by \$3,080,000 during the current fiscal year.

**FUND FINANCIAL STATEMENTS**

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,690,351 (Exhibit C), an increase of \$104,838 in comparison with the prior year (Exhibit D).
- At the end of the current fiscal year, the general fund's unassigned – available for appropriation fund balance was \$745,459 (Exhibit C), or 3.24% of next year's budgeted general fund expenditures of \$23,014,386.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected state grants are recognized as receivables due from other governments, and earned but unused sick leave is recognized as a liability for compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has no business-type activities. The governmental activities of the District include administration, instruction, ancillary school services, maintenance and operations, insurance and other employee benefits, programs with other schools, transportation, interest on revenue anticipation notes, and capital improvements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

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**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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided in Exhibit C and Exhibit D.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet (Exhibit C) and in the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) for the general fund, the debt defeasance fund, and the on-behalf payments fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules 1 through 6 in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Exhibit E).

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the accrual basis.

The basic fiduciary fund financial statements can be found in Exhibits F and G, and the combining fiduciary fund schedules can be found in Schedules 7 and 8 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in Exhibit H of this report.

**Other information.** The combining schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund schedules and other types of schedules can be found in Schedules 1 through 10 of this report.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Summary of the major features of the government-wide and fund financial statements.**

	-----Fund Financial Statements-----			
	Government-wide Statements	Governmental	Proprietary (*)	Fiduciary
Scope	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as general government, public safety, and education.	Activities the District operates similar to private businesses.	Assets held by the District on behalf of someone else. Students and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net position, & statement of activities	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net position, and statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position, and statement of changes in fiduciary net position.
Basis of accounting and measurement focus.	Accrual accounting  Economic resources focus	Modified accrual accounting.  Current financial resources focus	Accrual accounting  Economic resources focus	Accrual accounting  Economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included	All assets and liabilities, both financial and capital; short-term and long-term	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid

(\*) – The District has no proprietary funds

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$12,206,218 and by \$15,292,224 at the close of fiscal year 2014 and 2013, respectively.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to school children; 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 itself cannot be used to liquidate these liabilities.

DISTRICT'S NET ASSETS		
Description	Amount	
	2014	2013
Current assets . . . . .	\$ 5,246,911	\$ 4,246,258
Noncurrent assets . . . . .	33,427,812	37,430,479
Subtotal assets . . . . .	38,674,723	41,676,737
Deferred outflow of resources - loss on refunding bonds . . . .	54,938	-
Current liabilities . . . . .	1,525,758	1,813,584
Noncurrent liabilities . . . . .	24,997,685	24,570,929
Subtotal liabilities . . . . .	26,523,443	26,384,513
Net position:		
Invested in capital assets, net of related debt . . . . .	11,497,392	9,482,867
Restricted . . . . .	8,174,900	11,697,673
Unrestricted . . . . .	(7,466,074)	(5,888,316)
Total net position . . . . .	\$ 12,206,218	\$ 15,292,224

A portion of the District's net position at June 30, 2014 and at June 30, 2013 of \$8,174,900 and \$11,697,673, respectively, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(7,466,074) and \$(5,888,316) at June 30, 2014 and June 30, 2013, respectively, is further segregated by internal designations as shown below.

Description	2014	2013
Assigned to finance next year's operations. . . . .	\$ 350,000	\$ 325,000
Assigned for encumbrances . . . . .	23,048	21,006
Undesignated and unreserved . . . . .	(7,839,122)	(6,234,322)
Total unrestricted net assets . . . . .	\$ (7,466,074)	\$ (5,888,316)



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Government-wide financial statements.** Governmental activities decreased the District's net position by \$3,086,006 (Exhibit B) in 2014 and by \$2,002,843 in 2013. Key elements of these changes are as follows:

DISTRICT'S CHANGES IN NET POSITION		
Description	Amount	
	2014	2013
Revenues:		
Program revenues:		
Charges for services . . . . .	\$ 313,753	\$ 296,637
Member town assessments . . . . .	1,526,165	2,389,509
Operating grants and contributions . . . . .	8,683,489	8,387,939
Capital grants and contributions . . . . .	409,503	759,145
Investment income and other . . . . .	147,610	69,429
General revenues:		
Assessments to member towns . . . . .	15,544,056	14,734,460
Grants and contributions not restricted to specific programs . . . . .	2,726,838	2,700,038
Tuition fees and charges. . . . .	994,273	939,718
Investment income and other. . . . .	40,655	32,137
Amortization of bond and serial note premiums . . . . .	-	9,542
<b>Total revenues . . . . .</b>	<b>30,386,342</b>	<b>30,318,554</b>
Expenses:		
Administration . . . . .	1,091,615	1,096,228
Instruction . . . . .	13,311,480	12,990,090
Ancillary school services . . . . .	1,708,168	1,553,075
Maintenance and operations . . . . .	2,014,449	2,036,484
Insurance and employee benefits . . . . .	10,660,606	10,444,178
Programs with other schools . . . . .	1,318,655	1,365,836
Transportation . . . . .	1,503,135	1,446,381
Interest on revenue anticipation notes. . . . .	7,637	5,987
Payment of prior year encumbrances . . . . .	21,006	94,881
Capital improvements - construction feasibility study. . . . .	-	538,974
Scholarships . . . . .	1,300	300
Debt service - interest on bonds and refunding issuance costs . . . . .	794,382	748,983
<b>Total expenses . . . . .</b>	<b>32,432,433</b>	<b>32,321,397</b>
Special item - reduction in MSBA receivable due to refunding . . . . .	1,039,915	-
<b>Change in net position . . . . .</b>	<b>\$ (3,086,006)</b>	<b>\$ (2,002,843)</b>

- Capital and operating grants decreased by \$27,292 during the year; a decrease of 0.23%.
- Member town assessments decreased by \$53,748 during the year; a decrease of 0.31%.
- Expenses increased by \$111,036 during the year; and increase of 0.34%.
- Due to the debt refunding in fiscal 2014, the District incurred a reduction in its Massachusetts School Building Authority (MSBA) receivable of \$1,039,915.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2014 and fiscal year 2013, the District's governmental funds reported combined ending fund balances of \$2,690,351 (Exhibit C), and of \$2,585,513, respectively, an increase of \$104,838 in comparison with the prior year (Exhibit D). A summary of the components comprising these fund balances is described below.

Description	2014	2013
Nonspendable food services inventory and prepaid tuition . . . . .	\$ 12,175	\$ 7,173
Restricted by grantors or by enabling legislation . . . . .	1,544,475	1,275,689
Committed by school committee vote . . . . .	16,228	33,829
Assigned to finance next year's operations. . . . .	350,000	325,000
Assigned for encumbrances . . . . .	23,048	21,006
Unassigned - available for spending at the government's discretion . . . . .	744,425	922,816
<b>Total fund balances . . . . .</b>	<b>\$ 2,690,351</b>	<b>\$ 2,585,513</b>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the general fund's total fund balance was \$1,124,242 of which \$745,459 (Exhibit C) was the unassigned fund balance of the general fund. As a measure of the general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund budget for the next fiscal year. Unassigned fund balance represents 3.24% of the total general fund's budget for the next fiscal year, while total fund balance represents 4.88% of that same amount.

The fund balance of the District's general fund decreased by \$144,580 during the current fiscal year (Exhibits D and E). Key factors in this increase are:

- Operating expenditures were \$171,363 less than budgeted; primarily because bond interest payments were \$99,579 less than budgeted due to debt refunding.
- Member town capital assessments were \$99,579 less than budgeted because of debt refunding.
- Transportation reimbursement revenues were \$69,039 more than budgeted.
- The District used \$325,000 of the general fund's beginning fund balance to finance its operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's original budget of \$22,064,479 did not change during the year; however there were changes to individual budget line items throughout the year (Exhibit E).

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets as of the end of the current fiscal year amounts to \$25,692,391 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, library books, computer equipment, and vehicles. The District's acquired \$69,915 of capital assets, disposed of \$187,877 of fully depreciated capital assets, and recognized \$1,135,390 of depreciation expense during the current fiscal year. A detailed schedule of capital assets for both fiscal years 2014 and fiscal year 2013 is presented below.

DISTRICT'S CAPITAL ASSETS		
Description	Amount	
	2014	2013
Land . . . . .	\$ 744,000	\$ 744,000
Land improvements . . . . .	884,980	884,980
Buildings . . . . .	32,184,026	32,184,026
Building improvements . . . . .	138,256	138,256
Leasehold improvements . . . . .	81,682	81,682
Furnishings, machinery and equipment . . . . .	5,446,684	5,446,684
Library books . . . . .	378,000	378,000
Computers . . . . .	637,776	755,738
Vehicles . . . . .	102,210	102,210
Total capital assets . . . . .	40,597,614	40,715,576
Accumulated depreciation . . . . .	14,905,222	13,957,709
Capital assets - net . . . . .	\$ 25,692,392	\$ 26,757,867

**Debt.** During the year the District refunding \$15,990,000 of bonds via the issuance of \$14,195,000 of bonds with a premium of \$2,202,910. The District completed the refunding to reduce its total debt service payments over a period of eleven years by \$1,760,794 and to obtain an economic gain of \$1,569,633. At the end of the current fiscal year, the District had total outstanding bond obligations of \$14,195,000; which is backed by the full faith and credit of the District and its member towns.

DISTRICT'S OUTSTANDING LONG-TERM DEBT		
Description	Amount	
	2014	2013
Middle and elementary school construction bonds . . . . .	\$ 14,195,000	\$ 17,275,000
Other post-employment benefits obligation . . . . .	8,445,775	7,027,967
Premiums on debt issuance . . . . .	2,202,910	104,962
Compensated absences . . . . .	154,000	163,000
Total outstanding debt . . . . .	\$ 24,997,685	\$ 24,570,929

Effective September 13, 2013, Standard & Poor's maintained the District's general obligation bond rating at "AA". Additional information on the District's long-term debt can be found in Exhibit H - Note 4 of this report.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2014

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The District issued and redeemed revenue anticipation notes totaling \$2,000,000 during fiscal 2014. The District paid \$7,637 of interest expense on these notes during the fiscal year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Berkshire Hills Regional School District is dependent on the State of Massachusetts as well as its three member towns for the funding of the budget. Two of the three towns must approve the school budget on an annual basis.

Financial implications of the capital projects affecting the FY2014 and FY2015 budget are the following:

- The District refinanced the outstanding debt on the elementary and middle school construction projects in FY14 and reduced the outstanding balance by \$1,010,000 over the remaining ten year life of the borrowing. As a result, capital assessments to the member towns were reduced as follows:
  - Great Barrington – from \$546,077 to \$476,495
  - Stockbridge – from \$116,102 to \$101,307
  - West Stockbridge – from \$119,304 to \$104,102
- \$1,214,759 in reimbursement from the MSBA for the school construction projects was used in FY14 to offset assessments.
- In FY15, \$1,120,934 will be received from MSBA for reimbursement for the school construction projects and used to offset assessments. The reimbursement reduction from FY14 to FY15 reflects MSBA's cost-sharing of bond finance cost reduction.
- The District plans to borrow for capital projects in FY15 with a resulting additional interest payment of \$10,000 in the capital budget.

In addition to the items above, the factors below were considered in preparing the District's budget for the 2015 fiscal year.

- The District budgeted Chapter 70 based on House 1, the Governor's budget, in January. Actual payments are anticipated to be \$2,753,513 representing a \$26,650 increase from FY13 budgeted amounts, or approximately 1.00% increase from the prior year budget.
- Based on the Governor's budget and the final state budget, rates, the District used a 61% reimbursement rate in calculating revenue from chapter 71 regional transportation reimbursement, which represented a 1.69% increase or \$9,255 from the prior year budget.
- The combined effect of changes to Chapter 70 and Chapter 71 state revenue is a net increase to budgeted funding of \$35,905.
- The District used \$350,000 from excess and deficiency to reduce assessments. The District's net FY2015 operating and capital budget is \$18,121,623 in town assessments or an average increase of 5.54% from FY2014.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Berkshire Hills Regional School District, 50 Main Street, P.O. Box 617, Stockbridge, MA 01262.

**CONCLUDED**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities
<b>Assets:</b>	
Current assets:	
Pooled cash . . . . .	3,940,234
Accounts receivable . . . . .	3,805
Due from other governments . . . . .	1,290,697
Prepaid tuition and inventory . . . . .	12,175
Total current assets . . . . .	5,246,911
Noncurrent assets:	
Due from other governments . . . . .	7,735,420
Capital assets (net of accumulated depreciation) . . . . .	25,692,392
Total noncurrent assets . . . . .	33,427,812
Total assets . . . . .	38,674,723
Deferred outflow of resources - loss on refunding bonds . . . . .	54,938
<b>Liabilities:</b>	
Current liabilities:	
Accounts and other payables . . . . .	124,591
Accrued interest payable . . . . .	140,469
Accrued payroll . . . . .	1,148,578
Payroll withholdings . . . . .	112,120
Total current liabilities . . . . .	1,525,758
Noncurrent liabilities:	
Due within one year:	
Premiums on debt issuance . . . . .	220,291
Bonds payable . . . . .	1,175,000
Total due within one year . . . . .	1,395,291
Due in more than one year:	
Premiums on debt issuance . . . . .	1,982,619
Bonds payable . . . . .	13,020,000
Other post-employment benefits ("OPEB") obligation . . . . .	8,445,775
Compensated absences . . . . .	154,000
Total due in more than one year . . . . .	23,602,394
Total liabilities . . . . .	26,523,443
<b>Net position:</b>	
Invested in capital assets, net of related debt . . . . .	11,497,392
Restricted for:	
Debt service . . . . .	6,618,250
Grants and revolving activity . . . . .	1,327,977
Scholarship endowment . . . . .	212,368
Scholarship awards . . . . .	4,130
Inventory and prepaid tuition . . . . .	12,175
Total restricted . . . . .	8,174,900
Unrestricted . . . . .	(7,466,074)
Total net position . . . . .	12,206,218

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

## GOVERNMENT-WIDE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Governmental Activities								Net Revenue/ (Expense) and Changes in Net Assets	
	Expenses for all Functions and Programs (*)	Program Revenues						Investment Income		Other
		Charges for Services	Member Town Assessments	Operating Grants and Contributions	Capital Grants and Contributions					
Administration . . . . .	1,091,615	-	-	-	-	-	-	-	(1,091,615)	
Instruction . . . . .	13,311,480	-	-	2,790,855	-	-	66,165	-	(10,454,460)	
Ancillary school services . . . . .	1,708,168	306,272	-	556,630	-	-	-	-	(845,266)	
Maintenance and operations . . . . .	2,014,449	7,481	-	-	-	-	44,482	-	(1,962,486)	
Insurance and employee benefits . . . . .	10,660,606	-	-	4,718,360	-	-	33,080	-	(5,909,166)	
Programs with other schools . . . . .	1,318,655	-	-	-	-	-	-	-	(1,318,655)	
Transportation . . . . .	1,503,135	-	844,261	617,644	-	-	-	-	(41,230)	
Interest on revenue anticipation notes . . . . .	7,637	-	-	-	-	-	-	-	(7,637)	
Payment of prior year encumbrances . . . . .	21,006	-	-	-	-	-	-	-	(21,006)	
Scholarships . . . . .	1,300	-	-	-	-	433	3,450	-	2,583	
Debt service - interest on long-term debt . . . . .	673,250	-	681,904	-	409,503	-	-	-	418,157	
Debt service - debt refunding issuance costs . . . . .	121,132	-	-	-	-	-	-	-	(121,132)	
<b>Total activities . . . . .</b>	<b>32,432,433</b>	<b>313,753</b>	<b>1,526,165</b>	<b>8,683,489</b>	<b>409,503</b>	<b>433</b>	<b>147,177</b>	<b>-</b>	<b>(21,351,913)</b>	
General revenues:										
Assessments to member towns . . . . .									15,544,056	
Grants and contributions not restricted to specific purposes . . . . .									2,726,838	
Tuition fees and charges . . . . .									994,273	
Miscellaneous . . . . .									28,803	
Investment income . . . . .									11,852	
<b>Total general revenues . . . . .</b>									<b>19,305,822</b>	
Special item - reduction in Massachusetts School Building Authority receivable due to debt refunding . . . . .									(1,039,915)	
Changes in net position . . . . .									(3,086,006)	
Net position - beginning of the year . . . . .									15,292,224	
Net position - end of the year . . . . .									<u>12,206,218</u>	

(\*) - Imbedded within these function and program costs are depreciation and other post-employment expenses of \$1,135,390 and \$1,417,808, respectively.

See accompanying notes to the basic financial statements.

## BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Pooled cash . . . . .	2,360,050	1,580,184	3,940,234
Accounts receivable . . . . .	3,805	-	3,805
Due from other governments . . . . .	8,975,780	-	8,975,780
Prepaid tuition . . . . .	5,735	-	5,735
Inventory . . . . .	-	6,440	6,440
<b>Total assets . . . . .</b>	<b>11,345,370</b>	<b>1,586,624</b>	<b>12,931,994</b>
<b>Liabilities, deferred inflow of resources, and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable and other liabilities . . . . .	108,208	16,383	124,591
Accrued payroll . . . . .	1,144,446	4,132	1,148,578
Payroll withholdings . . . . .	112,120	-	112,120
<b>Total liabilities . . . . .</b>	<b>1,364,774</b>	<b>20,515</b>	<b>1,385,289</b>
Deferred inflow of resources - unavailable revenues . . . . .	8,856,354	-	8,856,354
<b>Fund balances:</b>			
Nonspendable . . . . .	5,735	6,440	12,175
<b>Spendable:</b>			
Restricted . . . . .	-	1,544,475	1,544,475
Committed . . . . .	-	16,228	16,228
Assigned . . . . .	373,048	-	373,048
Unassigned - available for appropriation . . . . .	745,459	(1,034)	744,425
<b>Total fund balances . . . . .</b>	<b>1,124,242</b>	<b>1,566,109</b>	<b>2,690,351</b>
<b>Total liabilities, deferred inflow of resources, and fund balances . . . . .</b>	<b>11,345,370</b>	<b>1,586,624</b>	
<b>Reconciliation of fund balances to government-wide statement of net position:</b>			
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds statement:			
Gross capital assets . . . . .		40,597,614	
Less: Accumulated depreciation . . . . .		14,905,222	
Subtotal . . . . .			25,692,392
Long-term liabilities, including note premiums and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds statement:			
Bonds payable . . . . .		(14,195,000)	
Other post-employment benefits obligation . . . . .		(8,445,775)	
Compensated absences . . . . .		(154,000)	
Unamortized premiums associated with bonds . . . . .		(2,202,910)	
Subtotal . . . . .			(24,997,685)
Receivables from the State for construction cost and interest reimbursement are not recognized as assets in the governmental funds statements:			
Receivable from the Massachusetts School Building Authority for debt principal reimbursements . . . . .		8,856,354	
Receivable from the Massachusetts School Building Authority for accrued interest reimbursements . . . . .		50,337	
Subtotal . . . . .			8,906,691
Accrued interest payable is not recognized as an expenditure and therefore is not reported in the governmental funds statements . . . . .			
			(140,469)
Unamortized net debt refunding reacquisition price over the net carrying amount of the refunded debt . . . . .			54,938
Net position . . . . .			<u>12,206,218</u>

See accompanying notes to the basic financial statements.

## BERKSHIRE HILLS REGIONAL SCHOOL

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	On-behalf Payments Fund	Debt Defeasance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Town assessments	17,070,221	-	-	-	17,070,221
Intergovernmental	4,627,595	4,718,360	-	3,279,131	12,625,086
Fees and charges for services	-	-	-	1,308,026	1,308,026
Investment income	11,852	-	-	433	12,285
Other	28,803	-	-	147,177	175,980
<b>Total revenues</b>	<b>21,738,471</b>	<b>4,718,360</b>	<b>-</b>	<b>4,734,767</b>	<b>31,191,598</b>
<b>Other financing sources:</b>					
Proceeds from the issuance of refunding bonds	-	-	14,195,000	-	14,195,000
Premiums on the issuance of refunding bonds	-	-	2,202,910	-	2,202,910
Transfers from bond premium fund	4,852	-	24,648	-	29,500
Transfers from debt defeasance fund	3,171	-	-	-	3,171
<b>Total other financing sources</b>	<b>8,023</b>	<b>-</b>	<b>16,422,558</b>	<b>-</b>	<b>16,430,581</b>
<b>Total revenues and other financing sources</b>	<b>21,746,494</b>	<b>4,718,360</b>	<b>16,422,558</b>	<b>4,734,767</b>	<b>47,622,179</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	1,084,640	-	-	-	1,084,640
Instruction	9,076,330	-	-	3,436,617	12,512,947
Ancillary school services	754,912	-	-	915,694	1,670,606
Maintenance and operations	1,732,483	-	-	49,413	1,781,896
Insurance and employee benefits	4,489,214	4,718,360	-	35,224	9,242,798
Programs with other schools	1,318,655	-	-	-	1,318,655
Transportation	1,503,135	-	-	-	1,503,135
Interest on revenue anticipation notes	7,637	-	-	-	7,637
Payment of prior year encumbrances	21,006	-	-	-	21,006
Capital improvements	1,547	-	-	17,601	19,148
Scholarships	-	-	-	1,300	1,300
<b>Debt Service:</b>					
Principal	1,285,000	-	15,990,000	-	17,275,000
Interest on long-term debt	616,515	-	148,355	-	764,870
Debt refunding premium	-	-	159,900	-	159,900
Debt refunding expenditures	-	-	121,132	-	121,132
<b>Total expenditures</b>	<b>21,891,074</b>	<b>4,718,360</b>	<b>16,419,387</b>	<b>4,455,849</b>	<b>47,484,670</b>
<b>Other financing uses:</b>					
Transfers to the general fund	-	-	3,171	4,852	8,023
Transfers to the debt defeasance fund	-	-	-	24,648	24,648
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>3,171</b>	<b>29,500</b>	<b>32,671</b>
<b>Total expenditures and other financing uses</b>	<b>21,891,074</b>	<b>4,718,360</b>	<b>16,422,558</b>	<b>4,485,349</b>	<b>47,517,341</b>
<b>Net changes in fund balances</b>	<b>(144,580)</b>	<b>-</b>	<b>-</b>	<b>249,418</b>	<b>104,838</b>
<b>Fund balance - beginning of the year</b>	<b>1,268,822</b>	<b>-</b>	<b>-</b>	<b>1,316,691</b>	
<b>Fund balance - end of the year</b>	<b>1,124,242</b>	<b>-</b>	<b>-</b>	<b>1,566,109</b>	
<b>Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities (See Notes to the Basic Financial Statements - footnote 2 for additional information):</b>					
Capital outlays net of depreciation expense					(1,065,475)
Net change in certain accrued liabilities					(335,136)
Net change in certain receivables					(1,845,171)
Net change in unamortized debt refunding acquisition costs over the net carrying amount of the refunded debt					54,938
<b>Change in net position of the government-wide statement of activities (Exhibit B)</b>					<b>(3,086,006)</b>

See accompanying notes to the basic financial statements.



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Revised Budget	Actual			Favorable / (Unfavorable) Budget
			Revenues or Expenditures	Encumbrances	Total	
<b>Revenue:</b>						
<b>Operating town assessments:</b>						
Great Barrington .....	11,506,962	11,506,962	11,506,962	-	11,506,962	-
Stockbridge .....	2,425,258	2,425,258	2,425,258	-	2,425,258	-
West Stockbridge .....	2,456,097	2,456,097	2,456,097	-	2,456,097	-
<b>Total operating town assessments .....</b>	<b>16,388,317</b>	<b>16,388,317</b>	<b>16,388,317</b>	<b>-</b>	<b>16,388,317</b>	<b>-</b>
<b>State:</b>						
Chapter 70 .....	2,726,863	2,726,863	2,726,838	-	2,726,838	(25)
Transportation .....	548,205	548,205	617,244	-	617,244	69,039
Charter schools .....	-	-	212	-	212	212
Medicaid reimbursement .....	65,000	65,000	68,542	-	68,542	3,542
<b>Total state .....</b>	<b>3,340,068</b>	<b>3,340,068</b>	<b>3,412,836</b>	<b>-</b>	<b>3,412,836</b>	<b>72,768</b>
Local other .....	-	-	28,803	-	28,803	28,803
Investment income .....	10,000	10,000	11,852	-	11,852	1,852
<b>Total operating revenue .....</b>	<b>19,738,385</b>	<b>19,738,385</b>	<b>19,841,808</b>	<b>-</b>	<b>19,841,808</b>	<b>103,423</b>
<b>Capital town assessments:</b>						
Great Barrington .....	546,077	546,077	476,495	-	476,495	(69,582)
Stockbridge .....	116,102	116,102	101,307	-	101,307	(14,795)
West Stockbridge .....	119,304	119,304	104,102	-	104,102	(15,202)
<b>Total capital town assessments .....</b>	<b>781,483</b>	<b>781,483</b>	<b>681,904</b>	<b>-</b>	<b>681,904</b>	<b>(99,579)</b>
Massachusetts school building assistance .....	1,214,759	1,214,759	1,214,759	-	1,214,759	-
<b>Total capital revenue .....</b>	<b>1,996,242</b>	<b>1,996,242</b>	<b>1,896,663</b>	<b>-</b>	<b>1,896,663</b>	<b>(99,579)</b>
<b>Total revenue .....</b>	<b>21,734,627</b>	<b>21,734,627</b>	<b>21,738,471</b>	<b>-</b>	<b>21,738,471</b>	<b>3,844</b>
<b>Other financing sources:</b>						
Transfers from beginning fund balance .....	325,000	325,000	325,000	-	325,000	-
Transfers from bond premium fund .....	4,852	4,852	4,852	-	4,852	-
Transfers from debt defeasance fund .....	-	-	3,171	-	3,171	3,171
<b>Total other financing sources .....</b>	<b>329,852</b>	<b>329,852</b>	<b>333,023</b>	<b>-</b>	<b>333,023</b>	<b>3,171</b>
<b>Total revenue and other financing sources .....</b>	<b>22,064,479</b>	<b>22,064,479</b>	<b>22,071,494</b>	<b>-</b>	<b>22,071,494</b>	<b>7,015</b>

See accompanying notes to the basic financial statements.

(Continued)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Revised Budget	Actual			Favorable / (Unfavorable) Budget
			Revenues or Expenditures	Encumbrances	Total	
<b>Expenditures:</b>						
<b>Operating expenses:</b>						
Administration .....	1,097,995	1,084,892	1,084,640	256	1,084,896	(4)
Instruction .....	8,724,087	9,081,086	9,076,330	7,550	9,083,880	(2,794)
Ancillary school services .....	690,766	754,912	754,912	-	754,912	-
Maintenance and operations .....	1,838,402	1,747,757	1,732,483	15,242	1,747,725	32
Insurance and employee benefits .....	4,637,147	4,500,785	4,489,214	-	4,489,214	11,571
Programs with other districts .....	1,470,909	1,318,641	1,318,655	-	1,318,655	(14)
Transportation .....	1,392,466	1,503,135	1,503,135	-	1,503,135	-
Interest associated with revenue anticipation notes .....	10,000	7,637	7,637	-	7,637	-
Capital improvements .....	-	1,547	1,547	-	1,547	-
Contingencies .....	201,613	62,993	-	-	-	62,993
Total operating expenditures .....	<u>20,063,385</u>	<u>20,063,385</u>	<u>19,968,553</u>	<u>23,048</u>	<u>19,991,601</u>	<u>71,784</u>
<b>Debt service expenses:</b>						
Bond principal .....	1,285,000	1,285,000	1,285,000	-	1,285,000	-
Bond interest .....	716,094	716,094	616,515	-	616,515	99,579
Total debt service .....	<u>2,001,094</u>	<u>2,001,094</u>	<u>1,901,515</u>	<u>-</u>	<u>1,901,515</u>	<u>99,579</u>
Total expenditures .....	<u>22,064,479</u>	<u>22,064,479</u>	<u>21,870,068</u>	<u>23,048</u>	<u>21,893,116</u>	<u>171,363</u>
Net changes in fund balances - budgetary basis .....	-	-	201,426	(23,048)	178,378	178,378

**Reconciliation of GAAP basis to budgetary basis:**

Description	(See Exhibit D)	Transfers from	Prior Year	Current	Budgetary
	GAAP	Beginning	Encumbrances	Year	
	Basis	Fund Balance	Expended	Encumbrances	Basis
Revenues and other financing sources .....	21,746,494	325,000	-	-	22,071,494
Expenditures and other financing uses .....	21,891,074	-	(21,006)	23,048	21,893,116
Net changes in fund balances .....	<u>(144,580)</u>	<u>325,000</u>	<u>21,006</u>	<u>(23,048)</u>	<u>178,378</u>

See accompanying notes to the basic financial statements.

(Concluded)

**EXHIBIT F**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014

	Private- Purpose Trust Funds	Agency Funds	Totals
Assets:			
Pooled cash . . . . .	122,510	236,629	359,139
Liabilities:			
Accounts payable . . . . .	18,000	997	18,997
Due to students groups . . . . .	-	235,632	235,632
Total liabilities . . . . .	18,000	236,629	254,629
Net position - reserved for scholarship expenditures . .	104,510	-	104,510

See accompanying notes to the basic financial statements.



**EXHIBIT G**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	Private- Purpose Trust Funds
Additions:	
Donations . . . . .	10,550
Rescinded scholarship awards . . . . .	2,200
Investment income . . . . .	245
Total additions . . . . .	12,995
Deductions - scholarship awards . . . . .	14,300
Change in net position . . . . .	(1,305)
Net position - beginning of the year . . . . .	105,815
Net position - end of the year . . . . .	104,510

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting entity**

The Berkshire Hills Regional School District (the District) operates under a regional agreement established in 1965. The District is comprised of the Towns of Great Barrington, Stockbridge, and West Stockbridge, and serves the educational needs of students in grades K through 12.

The form of government is an elected ten-member school committee, who are responsible for appointing a Superintendent who is the chief operating official for the District.

The District owns and operates three school buildings in Great Barrington, Massachusetts servicing students at the high school, the middle school and the elementary school levels. The District is responsible for both the operating and capital costs related to these buildings, which are apportioned to the Towns based on state law and the regional agreement.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit (if any), on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the District. Any blended or discretely presented component unit present has a June 30 year-end. Based upon the foregoing criteria, the District has no component units that would require either blended or discrete presentation in these basic financial statements.

**B. Basis of presentation****Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have, and therefore does not report, any business-type activities.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Government-wide financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund financial statements

Fund financial statements of the District are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major fund or non-major funds within the governmental statements because emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or if it meets the following criteria:

- a. Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets and deferred outflow of resources, liabilities and deferred inflow of resources, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. The same element that met the 10 percent total in (a), is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that the District believes is particularly important to financial statement users may be reported as a major fund.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Governmental activities

Governmental funds are identified as either general, special revenue, debt service, or capital projects funds based upon the following guidelines.

General fund – is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital project funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

Permanent trust funds - are used to account for resources, principal excluded, legally held in trust for scholarship payments.

Fiduciary funds (not included in government-wide statements)

Fiduciary funds are identified as either private-purpose trust funds or agency funds based upon the following guidelines.

Private-purpose trust funds – are used to account for resources legally held in trust for scholarship payments.

Agency funds – are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of presentation (continued)**

Major Funds

The District reports the following as a major governmental fund.

- General fund
- On-behalf payments fund
- Debt defeasance fund

Nonmajor funds

The District reports the following nonmajor funds.

- Special revenue funds:
  - All revolving funds
  - All federal, state, and other grant funds
- Capital project:
  - High school construction feasibility fund
- Permanent trust funds:
  - Scholarship trust funds

Fiduciary funds

The District reports the following fiduciary funds.

- Private-purpose trust funds:
  - Scholarship trust funds
- Agency funds:
  - Student activities funds

**C. Basis of accounting**

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or an economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of accounting (continued)**

Government-wide financial statements (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided including specific member town assessments, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues not classified as program revenues (e.g. general member town assessments) are presented as general revenues.

When both restricted and unrestricted resources are available for use, except in the case of debt service, it is the District's policy to generally use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements

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

The annual assessments to the District's member towns for operating and capital costs, state aid to the District attributable to the general fund and various inter-governmental revenues attributable to the special revenue or capital project funds, tuition income, and interest income as earned, comprise the significant revenues susceptible to accrual. Charges for contributions, gifts, and other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received.

Federal and state grants and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Fiduciary fund financial statements use the accrual method of accounting.



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****D. Measurement focus**

The government-wide financial statements for governmental activities and the fund financial statements for the fiduciary funds are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unearned revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources, are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

**E. Assets, liabilities, and net position or equity****1. Deposits and investments**

Generally, the District's Treasurer is authorized to invest in the following investments: term deposits or certificates of deposit, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or an agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

**2. Receivables and payables**

Receivables from and payables to other governments (i.e., the Commonwealth of Massachusetts and its political subdivisions) are reported as "due from other governments" and "due to other governments", respectively.

**3. Inventories and prepaid assets**

Inventories, if any, are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net position or equity (continued)**

**4. Capital assets**

Fund financial statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed asset are not capitalized and related depreciation is not reported in the fund financial statements.

Government-wide financial statements

Capital assets, which include machinery and equipment, computers, and vehicles, are reported in the applicable governmental or business type activities, if any, columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Significant donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements, for which the District has title are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings . . . . .	50
Land improvements . . . . .	20
Machinery and equipment . . .	5 - 10
Computer equipment . . . . .	5 - 10
Vehicles . . . . .	8
Library books . . . . .	5

**5. Long-term obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****E. Assets, liabilities, and net position or equity (continued)****5. Long-term obligations (continued)**

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

**7. Economic dependency**

The District provides education to the children of the Towns of Great Barrington, Stockbridge, and West Stockbridge. It receives a substantial portion of its revenues from these towns, as well as from the Commonwealth of Massachusetts, and as such, is dependent on the economic environment of these towns and the Commonwealth.

**8. Fund equity**Government-wide financial statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

Restricted net position – consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net position or equity (continued)**

**8. Fund equity (continued)**

Fund financial statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventory; or (b) legally or contractually required to be maintained intact:

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, of laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's school committee – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school committee removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The District's business manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other funds.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, liabilities, and net position or equity (continued)**

**9. Use of estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Specifically, regarding compensated absences, accruals for outstanding litigation, the OPEB obligation, the calculation of the receivable from the Massachusetts School Building Authority, and useful lives of fixed assets. Actual results may differ from those estimates.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The reconciliation between net changes in fund balances reported in the governmental funds statement of revenues, expenditures, and changes in fund balances (Exhibit D) and the change in net position of the government-wide statement of activities (Exhibit B) is explained below.

Net changes in fund balances - total governmental funds (Exhibit D) . . . . .	\$	104,838	
Variance between the two statements occur as a result of the following items:			
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The components of this reconciling item are:			
Additions to capital assets . . . . .	\$	69,915	
Depreciation expense . . . . .		<u>(1,135,390)</u>	
Totals . . . . .			(1,065,475)
Changes in the balance of accrued liabilities from the beginning to the end of the year in the government-wide financial statements that do not affect expenditures in the governmental funds financial statements. The components of this reconciling item are:			
Increase in other post-employment benefits obligation . . . . .	\$	(1,417,808)	
Decrease in long-term compensated absence obligations . . . . .		9,000	
Issuance of refunding bond obligations . . . . .		(14,195,000)	
Payment of debt service principal . . . . .		17,275,000	
Increase in unamortized premiums associated with the issuance of bonds . . . . .		(2,097,948)	
Decrease in interest payable accrual . . . . .		<u>91,620</u>	
Totals . . . . .			(335,136)
Changes in the balance of accounts receivable from the beginning to the end of the year in the government-wide financial statements that do not affect revenues in the governmental funds financial statements. The components of this reconciling item are:			
Decrease in MSBA reimbursement receivable . . . . .	\$	(1,816,258)	
Decrease in interest receivable associated with MSBA reimbursement . . . . .		<u>(28,913)</u>	
Totals . . . . .			(1,845,171)
Changes in the balance of unamortized debt refunding reqccquisition price over the net carrying amount of the refunded debt . . . . .			<u>54,938</u>
Change in net assets of the government-wide statement of activities (Exhibit B) . . . . .	\$		<u><u>(3,086,006)</u></u>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles except that encumbrances are recognized as expenditures. All annual appropriations lapse at fiscal year end. Capital project and certain special revenue funds adopt project-length and grant-length budgets, respectively.

The School Committee authorizes capital project funds' expenditures. Capital appropriations do not lapse until the purpose for which they are designated is completed. Expenditures in excess of adopted budgets can be made only upon the authority of a supplemental appropriation or an approved budgetary transfer.

The District follows these procedures, in establishing the budgetary data for the general fund.

- A proposed annual budget, including capital costs, is prepared by the Superintendent for adoption by the School Committee. The annual budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted in the District to obtain taxpayer comments from the member towns.
- In accordance with the District Agreement, the School Committee adopts a final budget no later than 45 days prior to the earliest scheduled town meeting.
- The final budget, divided between operating costs and capital costs, is then apportioned among the member towns based upon state mandated minimum contribution requirements and various student enrollment data. The apportioned amount for each member town must be certified by the District's Treasurer to each of the Treasurers of the member towns within 30 days from the date on which the annual budget was adopted by the School Committee.
- Each member town includes its share of the regional school assessment with all other proposed appropriations for town meeting approval.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the total annual budget.

Assessments are levied annually against the three member towns of the District for the fiscal year beginning July 1, and are due and payable in four equal installments by October 1, January 1, April 1, and June 30.

Capital costs, as defined in the District's Regional Agreement, generally relate to costs incurred to construct or improve school plant operations. If debt was incurred to pay for these costs, capital costs will include payment for principal and interest on such debt. Debt and capital costs are assessed to member towns based on their student enrollment as of October 1<sup>st</sup> of the preceding fiscal year.

Operating costs include all other expenses not listed as capital costs, as well as interest on temporary notes issued by the District in anticipation of revenue. Current year's operating costs are apportioned to member towns on the basis of their student enrollment as of October 1<sup>st</sup> of the preceding fiscal year, in conjunction with the minimum contribution requirement dictated by the Education Reform Act.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**A. Budgetary information (continued)**

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process.

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if outstanding purchase orders at year-end are filled and if contracts in progress at year-end are completed. For GAAP purposes, encumbrances outstanding at year-end do not constitute expenditures or liabilities and, therefore, are presented in the combined financial statements as a component of assigned fund equity. As of June 30, 2014 the general fund has \$23,048 of outstanding encumbrances, which are reported as assigned fund balance in Exhibit C.

**B. Excess of expenditures over appropriations**

During the current fiscal year, the District's total general fund expenditures did not exceed appropriations.

**4. DETAILED NOTES ON ALL FUNDS**

**A. Pooled cash and bank deposits**

The District has a central treasury function controlled by the District's Treasurer. Therefore, there is one "pool" of cash, reported at cost which equates to fair value, composed of various bank accounts (rather than separate bank accounts for each fund). Each fund reports the amount due from or to the central treasury as "pooled cash".

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District tries to limit its custodial risk by depositing cash in several banks. The District has no formal policy regarding credit or interest rate risk.

At year-end pooled cash is summarized below.

Description	(Exhibits A & C)		(Exhibit F)	Totals
	Governmental Funds	Fiduciary Funds	Fiduciary Funds	
Insured (FDIC) (SDIC) . . . . .	\$ 4,198,828	\$ 339,106	\$	\$ 4,537,934
Various reconciling items . . . . .	(258,594)	20,033		(238,561)
Total pooled cash . . . . .	\$ 3,940,234	\$ 359,139	\$	\$ 4,299,373

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**B. Receivables**

The District had the following outstanding receivables at year-end.

Description	(Exhibit C)	(Exhibit A)
	Fund Financial Statements General Fund	Government- Wide Financial Statements
Massachusetts school building authority reimburse bond principal (*) . . . . .	\$ 8,856,354	\$ 8,856,354
State department of elementary & secondary education - title I grant . . . . .	103,347	103,347
State department of elementary & secondary education - title II grant . . . . .	15,619	15,619
Miscellaneous . . . . .	460	460
Massachusetts school building authority reimburse bond interest due currently . . . . .	-	50,337
Total due from the other governments . . . . .	<u>\$ 8,975,780</u>	<u>\$ 9,026,117</u>
Exhibit A - classification of due from other governments:		
Current assets . . . . .		\$ 1,290,697
Noncurrent assets . . . . .		7,735,420
Total . . . . .		<u>\$ 9,026,117</u>
Accounts receivable - miscellaneous . . . . .	<u>\$ 3,805</u>	<u>\$ 3,805</u>

(\*) - Amount is reported as unavailable revenue on the fund financial statements. See footnote 4G.

**C. Capital Assets**

Asset recognition

The District finished helping the Town of Stockbridge renovate its municipal building, a portion of which, beginning in fiscal year 2009, is being leased to the District for its administrative offices. The District's costs associated with this renovation totaling \$81,682 was capitalized as "construction-in-progress" and then reclassified to "leasehold improvements" on the District's government-wide financial statements.

Depreciation expense was charged to functions / programs of the District as follows.

Description	Balance
Administration . . . . .	\$ 7,548
Instruction . . . . .	805,136
Ancillary school services . . . . .	284,262
Maintenance and operations . . . . .	38,444
Total depreciation expense . . . . .	<u>\$ 1,135,390</u>



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**C. Capital Assets (continued)**

Asset recognition (continued)

The District's capital asset activity for the year ended June 30, 2014 was as follows.

Description	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land . . . . .	\$ 744,000	\$ -	\$ -	\$ 744,000
Capital assets, being depreciated:				
Land improvements . . . . .	884,980	-	-	884,980
Buildings . . . . .	32,184,026	-	-	32,184,026
Building improvements . . . . .	138,256	-	-	138,256
Leasehold improvements . . . . .	81,682	-	-	81,682
Furnishings, machinery and equipment . . . . .	5,446,684	-	-	5,446,684
Library books . . . . .	378,000	-	-	378,000
Computers . . . . .	755,738	69,915	(187,877)	637,776
Vehicles . . . . .	102,210	-	-	102,210
Total capital assets, being depreciated . . . . .	39,971,576	69,915	(187,877)	39,853,614
Total capital assets, gross . . . . .	40,715,576	69,915	(187,877)	40,597,614
Less accumulated depreciation for:				
Land improvements . . . . .	(775,286)	(35,121)	-	(810,407)
Buildings . . . . .	(7,587,833)	(670,687)	-	(8,258,520)
Building improvements . . . . .	(16,725)	(9,217)	-	(25,942)
Leasehold improvements . . . . .	(18,379)	(4,084)	-	(22,463)
Furnishings, machinery and equipment . . . . .	(4,648,888)	(305,189)	-	(4,954,077)
Library books . . . . .	(378,000)	-	-	(378,000)
Computers . . . . .	(451,249)	(107,300)	187,877	(370,672)
Vehicles . . . . .	(81,349)	(3,792)	-	(85,141)
Total accumulated depreciation . . . . .	(13,957,709)	(1,135,390)	187,877	(14,905,222)
Total capital assets, net . . . . .	\$ 26,757,867	\$ (1,065,475)	\$ -	\$ 25,692,392

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**D. Interfund transfers**

Generally, interfund transfers result from the adoption of the annual budget appropriation to finance specific operations or to reserve assets for specific purposes in future years. However, in fiscal year 2014 the District also authorized the transfer of \$24,648 from the bond premium fund to the debt defeasance fund to finance expenses associated with debt refunding. The composition of interfund transfers for the fiscal year ended June 30, 2014, is as follow:

Transfers In (Exhibit D)	Transfers Out (Exhibit D)		
	Bond Premium Fund	Debt Defeasance Fund	Totals
General fund . . . . .	\$ 4,852	\$ 3,171	\$ 8,023
Debt defeasance fund . . . . .	24,648	-	24,648
<b>Totals . . . . .</b>	<b>\$ 29,500</b>	<b>\$ 3,171</b>	<b>\$ 32,671</b>

**E. Short-term debt**

A schedule of changes to revenue anticipation notes for the year ended June 30, 2014 is presented below.

Date Issued	Maturity Date	Interest Rate	Balance June 30 13	Additions	Reductions	Balance Jun 30 14	Interest Expense
11/19/13	06/30/14	0.70%	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 4,277
11/19/13	06/30/14	0.55%	-	1,000,000	1,000,000	-	3,360
<b>Totals . . . . .</b>			<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 7,637</b>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-term obligations**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014 is presented below.

Description	Beginning Balance	Additions	Refunded	Reductions	Ending Balance	Exhibit A	
						Due Within One Year	Due After One Year
Bonds - middle & elem school . . . . .	\$ 17,275,000	\$ -	\$ 15,990,000	\$ 1,285,000	\$ -	\$ -	\$ -
Bonds - middle & elem school . . . . .	-	14,195,000	-	-	14,195,000	1,175,000	13,020,000
Subtotal . . . . .	17,275,000	14,195,000	15,990,000	1,285,000	14,195,000	1,175,000	13,020,000
Other post-employment benefits . . . . .	7,027,967	2,925,543	-	1,507,735	8,445,775	-	8,445,775
Premiums on debt issuance . . . . .	104,962	2,202,910	-	104,962	2,202,910	220,291	1,982,619
Compensated absences . . . . .	163,000	-	-	9,000	154,000	-	154,000
Total long-term liabilities . . . . .	\$ 24,570,929	\$ 19,323,453	\$ 15,990,000	\$ 2,906,697	\$ 24,997,685	\$ 1,395,291	\$ 23,602,394

In fiscal 2014 bond interest of \$616,515 and \$148,355 were paid by the general fund and the debt defeasance fund, respectively.

The \$2,202,910 of premiums on debt issuance will be amortized over the life of the refunding debt in ten equal annual installments of \$220,291 beginning in fiscal 2015. This annual amortization expense will be reported in the District's government-wide statement of activities (Exhibit B).

Debt service payments

The following is a schedule of long-term debt maturities and interest payments as of June 30, 2014.

Fiscal Year	Principal	Interest	Total	MSBA Reimbursements	District Share
2015 . . . . .	\$ 1,175,000	\$ 656,625	\$ 1,831,625	\$ 1,120,934	\$ 710,691
2016 . . . . .	1,200,000	615,000	1,815,000	1,120,934	694,066
2017 . . . . .	1,245,000	559,875	1,804,875	1,120,934	683,941
2018 . . . . .	1,310,000	496,000	1,806,000	1,120,934	685,066
2019 . . . . .	1,380,000	428,750	1,808,750	1,120,934	687,816
2020 . . . . .	1,450,000	358,000	1,808,000	1,120,934	687,066
2021 . . . . .	1,515,000	283,875	1,798,875	1,120,934	677,941
2022 . . . . .	1,590,000	206,250	1,796,250	1,120,934	675,316
2023 . . . . .	1,655,000	125,125	1,780,125	1,120,934	659,191
2024 . . . . .	1,675,000	41,875	1,716,875	1,120,934	595,941
Total . . . . .	\$ 14,195,000	\$ 3,771,375	\$ 17,966,375	\$ 11,209,340	\$ 6,757,035

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

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**4. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Long-term obligations (continued)**

Debt service payments (continued)

The Massachusetts School Building Authority (MSBA) has agreed to pay for a portion of the construction and interest costs associated with the construction of the elementary and middle schools. Based on a final audit report received by the MSBA, payments are being received over an 18-year period that began in fiscal year 2007. The state reimbursements for principal and interest at year-end are as follows:

Description	MSBA Reimbursement
Principal . . . . .	\$ 8,856,354
Interest . . . . .	2,352,986
Total . . . . .	\$ 11,209,340

**G. Deferred inflow of resources - unavailable revenue**

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the only unavailable revenue was the Massachusetts School Building Authority \$8,856,354 receivable reported in the general fund.

**H. Deferred outflow of resources – loss on refunding of bonds**

The \$54,938 representing the loss resulting from the difference between the reacquisition price and the carrying amount of the refunded debt, which was defeased in fiscal 2014, is reported as a deferred outflow of resources in the District's governmental wide statement of net position (Exhibit A). This \$54,938 will be amortized over the life of the refunding debt which matures, in serial installments through fiscal 2024.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**I. Net position**

A reconciliation between net position in the government-wide statement of net position (Exhibit A) and the governmental funds balance sheet (Exhibit C) is presented below.

	Exhibit C	Net Position (Exhibit A)		
	Fund Balances	Invested in capital assets net of related debt	Restricted	Unrestricted
General fund:				
Unassigned - available for appropriation . . . . .	\$ 745,459	\$ -	\$ -	\$ 745,459
Assigned to finance next year's operations . . . . .	350,000	-	-	350,000
Assigned for encumbrances . . . . .	23,048	-	-	23,048
Nonspendable - prepaid tuition . . . . .	5,735	-	5,735	-
Other nonmajor funds:				
Nonspendable - inventory . . . . .	6,440	-	6,440	-
Restricted . . . . .	1,544,475	-	1,544,475	-
Committed . . . . .	16,228	-	-	16,228
Unassigned - available for appropriation . . . . .	(1,034)	-	-	(1,034)
Subtotals . . . . .	2,690,351	-	1,556,650	1,133,701
Adjustments and reclassifications required by GASB #34:				
Capital assets . . . . .	-	25,692,392	-	-
Outstanding obligations associated with capital assets . . . . .	-	(14,195,000)	-	-
Compensated absences . . . . .	-	-	-	(154,000)
Other post-employment obligations . . . . .	-	-	-	(8,445,775)
MSBA receivable for reimbursement of principal payments . . . . .	-	-	8,856,354	-
MSBA accrued interest receivable . . . . .	-	-	50,337	-
Accrued interest . . . . .	-	-	(140,469)	-
Unamortized bond premiums . . . . .	-	-	(2,202,910)	-
Unamortized net debt refunding loss . . . . .	-	-	54,938	-
Total . . . . .	\$ 2,690,351	\$ 11,497,392	\$ 8,174,900	\$ (7,466,074)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**4. DETAILED NOTES ON ALL FUNDS (continued)**

**J Governmental fund balances**

The following is a summary of the District's governmental funds' fund balances at year-end.

Description	General Fund	Other Nonmajor Funds	Total
Restricted for:			
Instruction . . . . .	\$ -	\$ 977,063	\$ 977,063
Ancillary school services . . . . .	-	342,196	342,196
Maintenance and operations . . . . .	-	6,797	6,797
Insurance and employee benefits . . . . .	-	1,921	1,921
Scholarships . . . . .	-	216,498	216,498
Total restricted . . . . .	-	1,544,475	1,544,475
Assigned for:			
Financing next year's operations . . . . .	350,000	-	350,000
Encumbrances . . . . .	23,048	-	23,048
Total assigned . . . . .	373,048	-	373,048
Committed - capital improvements . . . . .	-	16,228	16,228
Unassigned - available for appropriations . . . . .	745,459	(1,034)	744,425
Nonspendable - prepaids and inventory . . . . .	5,735	6,440	12,175
Total fund balances . . . . .	\$ 1,124,242	\$ 1,566,109	\$ 2,690,351

**5. OTHER INFORMATION**

**A. Risk management**

**Berkshire Health Group**

The District is a member of the Berkshire Health Group, (the Group) a public entity risk pool, consisting of 11 other governmental entities from the neighboring geographic area, with which the District shares the risk of providing health care to eligible active and former employees. Payment, in the form of insurance premiums, is made monthly to the Group. These payments are funded in part from the District, and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. In general, the District pays 85% of the cost of insurance for active and retired employees. Other past employees who may be eligible to participate in the plan must pay 100% of their premium cost under the *Consolidated Omnibus Budget Reconciliation Act (COBRA)* for a specific period of time.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**5. OTHER INFORMATION (continued)****A. Risk management (continued)****Berkshire Health Group (continued)**

In accordance with the Group agreement, participants (the District) make payments to the Group in the form of monthly premiums based upon actual employee enrollment. The Group makes payment, through a third party administrator for actual health claims incurred for the entire group. At the end of the Group's fiscal year June 30, the Group's insurance consultant will determine if assets are sufficient to meet the liabilities of the Group on an accrual basis and adjust premium rates to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims. At the discretion of the Group's board of directors, assets of the Group which are in excess of claims computed on an actuarial basis can be distributed to each of the group's 12 participants based upon a formula described in the Group agreement.

The audit report of the results of operations of the Berkshire Health Group for the fiscal year ended June 30, 2014 has yet to be issued. The Health Group's unaudited financial statements at June 30, 2014 report a fund balance of \$8,655,026.

**Commercial Liability Insurance**

The District is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Litigation and contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

There are employment claims pending against the District which, individually could result in a judgment or judgments against the District. District counsel could not estimate the likelihood of an unfavorable outcome or the amount of damages should an unfavorable ruling occur.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**5. OTHER INFORMATION (continued)**

**C. Employee retirement systems and pension plans**

The Berkshire County Retirement System administers pensions for employees other than school department teaching staff provided through a contributory retirement system under the Massachusetts Contributory Retirement Law, which is governed by Chapter 32 of the Massachusetts General Laws. Both employer and employee contributions are actuarially determined as directed by the State Division of Insurance. Required contribution rates for employees range from 5% to 9% of wages based upon their date of hire with an additional 2% contribution applied to wages in excess of \$30,000 for employees hired after December 31, 1978 and before June 30, 2001. In general, employees hired after June 2001, pay 11%. The District's contribution percentage compared to all System participants' contributions was 6.17%, 6.24%, and 6.08% for fiscal years 2014, 2013, and 2012, respectively. Payments for the School District's share of pension costs were \$470,607, \$454,730, and \$422,693 for fiscal years 2014, 2013, and 2012, respectively.

The Berkshire County Retirement System administers this defined benefit, multi-employer plan that provides retirement, survivor, disability and accident benefits. The Plan issues stand alone financial statements, which can be obtained by writing the Berkshire County Retirement System, 76 East Street, Pittsfield, Massachusetts 01201.

School Department teaching staff contribute to the Massachusetts Teachers' Retirement System administered by the Massachusetts Teachers Retirement Board. The District's only contributions to this plan are through deductions from certain federal grants; however, the State contributed \$4,718,360 into the System for the benefit of the District's employees. The District reports these "on-behalf" contributions as both revenues and expenditures in a special revenue revolving fund.

Both retirement systems are contributory, multi-employer, defined benefit plans. Membership in the plans is mandatory immediately upon the commencement of employment for all full-time employees.

**D. Other post-employment benefits ("OPEB")**

The District prospectively adopted and implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2007, in fiscal 2009. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits.

*Plan Description.* The District participates in a defined benefit retiree medical insurance plan. The District contributes to a cost-sharing multiple-employer defined benefit healthcare plan for eligible retired employees. The plan is administered by the Berkshire Health Group ("BHG"). This plan is subject to the provisions of Massachusetts General Law Chapter 32B, Section 18 with eligibility requirements conditional by the District's school committee. This plan does issue stand alone financial statements.

*Coverage.* Non-Medicare retirees have their choice between Network Blue England HMO, Blue Choice New England POS, or Blue Care Elect Preferred PPO. Medicare eligible retirees must elect Medex.

*Eligibility.* For members hired before April 2, 2012, retirees are eligible at age 55 with at least 10 years of creditable service. Retirees with at least 20 years of creditable service are eligible at any age. For members hired after April 2, 2012, retirees with at least 10 years of creditable service are eligible at age 60.



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

Cost Sharing. The District is responsible for between 85% - 92% of the premiums.

Spouse Coverages. Spouses are covered under the plan.

Surviving Spouse Coverage. Pre-retirement death - benefits are payable to a spouse of members who die in active service on job-related death at any age; whereas, benefits are payable to a spouse of members who die in active service on non-job related deaths are eligible in two years. Post-retirement death – surviving spouse is eligible at any age.

Annual OPEB Cost and Net OPEB Obligation. For the fiscal year ended June 30, 2014.

Description	Amount
Annual Required Contribution (ARC) . . . . .	\$ 2,883,640
Interest on Net OPEB Obligation . . . . .	316,259
Adjustment to ARC . . . . .	(274,356)
Annual OPEB Cost (Expense) . . . . .	2,925,543
Expected Benefit Payouts (assumed middle of year) . . . . .	1,507,735
Increase in Net OPEB Obligation . . . . .	1,417,808
Net OPEB Obligation - Beginning of the Year . . . . .	7,027,967
Net OPEB Obligation - End of the Year (Exhibit A) . . . . .	<u>\$ 8,445,775</u>

Funding Status. The funded status of the plan as of June 30, 2012 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL) . . . . .	\$ 38,023,253
Actual Value of Plan Assets . . . . .	-
Unfunded Actuarial Accrued Liability (UAAL) . . . . .	<u>\$ 38,023,253</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) . . . . .	0.0%
Covered Payroll . . . . .	\$ 13,201,860
UAAL as a Percentage of Covered Payroll . . . . .	288.0%

Contributions made to the plan in the past three years are shown below.

Year Ended June 30	Annual OPEB Cost	Actual Contribution Made	Percentage Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Covered Payroll
2012	\$ 3,169,367	\$ 1,765,696	55.71%	\$ 5,786,672	\$ 12,743,809	24.87%
2013	\$ 2,798,442	\$ 1,557,147	55.64%	\$ 7,027,967	\$ 13,201,860	21.20%
2014	\$ 2,925,543	\$ 1,507,735	51.54%	\$ 8,445,775	\$ 13,633,474	21.46%

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

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**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employees are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The present actuarial valuation report changed the following actuarial assumptions used in the prior report.

- The pay-as-you-go discount rate changed from 4.75% to 4.50% which increased the normal cost and the AAL.
- The withdrawal and retirement rates for teachers were updated to match the rates used in the Massachusetts Teacher's Retirement System as of January 1, 2012 dated October 19, 2012.

In the June 30, 2012 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate . . . . .	4.50%
2013 Medical Trend Rate . . . . .	7.50%
Ultimate Trend Rate . . . . .	5.00%
Year Ultimate Trend Rate Reached . . . . .	2019
Actuarial Cost Method . . . . .	Projected Unit Credit
Amortization Period . . . . .	30 Years Open
Projected Annual Inflation rate . . . . .	3.50%

*Funding Progress:* The required schedule of funding progress immediately following the notes to the financial statements, schedule 10 on page 6-12, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

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**5. OTHER INFORMATION (continued)**

**D. Other post employment benefits (continued)**

Membership in the Plans. Plan memberships consist of the following as of June 30, 2012.

Description	Active Employees	Current Retirees
Number . . . . .	177.0	264.0
Average Age . . . . .	49.0	70.2
Average Service . . . . .	12.2	N/A

**E. Implementation of new governmental accounting standards board (GASB) pronouncements**

During fiscal year 2014 the following GASB pronouncements was implemented.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" issued April 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or as deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. This statement had no reporting implications for the District.

GASB Statement No. 66, "Technical Corrections – 2012 an Amendment of GASB Pronouncements #10 and #62" issued April 2012. The objective of this Statement is to improve accounting and financial reporting by state and local governments by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. This statement had no reporting implications for the District.

GASB Statement No. 67, "Financial Reporting for Pension Plans" issued August 2012. The objective of this Statement is to revise existing accounting and financial reporting requirements for most pension plans. This statement is effective for periods beginning after June 15, 2013. This statement had no reporting implications for the District.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" issued April 2013. The objective of this statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. It will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees and will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement is effective for periods beginning after June 15, 2013. This statement had no reporting implications for the District.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**5. OTHER INFORMATION (continued)**

**E. Implementation of new governmental accounting standards board (GASB) pronouncements (continued)**

Other Future GASB Pronouncements

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" issued August 2012. The objective of this Statement is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. This statement is effective for periods beginning after June 15, 2014. Management believes this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operation" issued January 2013. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide these services. This statement is effective for periods beginning after December 15, 2013. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" issued November 2013. The objective of this statement is to address an issue relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for periods beginning after June 15, 2014. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

**F. Refunding**

In December 2013, the District issued \$14,195,000 of refunding bonds, at a premium of \$2,202,910, with interest rates ranging from 3.0 to 5.0 percent. The net proceeds of \$16,276,778 (after payment of \$121,132 in underwriting fees, insurance and other issue costs) were used to refund \$15,990,000 of outstanding bonds, issued in 2004, at a call price of \$159,900.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$54,938; a deferred outflow of resources which is being charged to operations, on a straight-line method, through fiscal year 2024. The District completed the refunding to reduce its total debt service payments over a period of eleven years by \$1,760,794 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,569,633.

Concluded

**SCHEDULE 1**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF BALANCE SHEETS  
AS OF JUNE 30, 2014

	Special Revenue Funds	Capital Project - High School Construction Feasibility Fund	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Pooled cash .....	1,345,458	16,228	218,498	1,580,184
Inventory .....	6,440	-	-	6,440
<b>Total assets .....</b>	<b>1,351,898</b>	<b>16,228</b>	<b>218,498</b>	<b>1,586,624</b>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable .....	14,383	-	2,000	16,383
Accrued payroll .....	4,132	-	-	4,132
<b>Total liabilities .....</b>	<b>18,515</b>	<b>-</b>	<b>2,000</b>	<b>20,515</b>
<b>Fund balances:</b>				
Nonspendable .....	6,440	-	-	6,440
Restricted .....	1,327,977	-	216,498	1,544,475
Committed .....	-	16,228	-	16,228
Unassigned .....	(1,034)	-	-	(1,034)
<b>Total fund balances .....</b>	<b>1,333,383</b>	<b>16,228</b>	<b>216,498</b>	<b>1,566,109</b>
<b>Total liabilities and fund balances .....</b>	<b>1,351,898</b>	<b>16,228</b>	<b>218,498</b>	<b>1,586,624</b>

See accompanying notes to the basic financial statements.

**SCHEDULE 2**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Capital Project - High School Construction Feasibility Fund	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Intergovernmental . . . . .	3,279,131	-	-	3,279,131
Fees and charges for services . . . . .	1,308,026	-	-	1,308,026
Investment income . . . . .	-	-	433	433
Other . . . . .	143,727	-	3,450	147,177
<b>Total revenues . . . . .</b>	<b>4,730,884</b>	<b>-</b>	<b>3,883</b>	<b>4,734,767</b>
<b>Expenditures:</b>				
Instruction . . . . .	3,436,617	-	-	3,436,617
Ancillary school services . . . . .	915,694	-	-	915,694
Maintenance and operations . . . . .	49,413	-	-	49,413
Insurance and employee benefits . . . . .	35,224	-	-	35,224
Capital improvements . . . . .	-	17,601	-	17,601
Scholarships . . . . .	-	-	1,300	1,300
<b>Total expenditures . . . . .</b>	<b>4,436,948</b>	<b>17,601</b>	<b>1,300</b>	<b>4,455,849</b>
<b>Other financing uses:</b>				
Transfers to the general fund . . . . .	4,852	-	-	4,852
Transfers to the debt defeasance fund . . . . .	24,648	-	-	24,648
<b>Total other financing uses . . . . .</b>	<b>29,500</b>	<b>-</b>	<b>-</b>	<b>29,500</b>
<b>Total expenditures and other financing uses . . . . .</b>	<b>4,466,448</b>	<b>17,601</b>	<b>1,300</b>	<b>4,485,349</b>
<b>Net changes in fund balances . . . . .</b>	<b>264,436</b>	<b>(17,601)</b>	<b>2,583</b>	<b>249,418</b>
<b>Fund balance - beginning of the year . . . . .</b>	<b>1,068,947</b>	<b>33,829</b>	<b>213,915</b>	<b>1,316,691</b>
<b>Fund balance - end of the year . . . . .</b>	<b>1,333,383</b>	<b>16,228</b>	<b>216,498</b>	<b>1,566,109</b>

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF BALANCE SHEETS**  
**JUNE 30, 2014**

	Assets			Liabilities			Fund Balances			Total Liabilities and Fund Balances	
	Pooled Cash	Inventory	Total	Accounts Payable	Accrued Payroll	Total	Non-Spendable	Restricted (See page 6-4 for details)	Unassigned		Total
<b>Revolving funds:</b>											
Athletic .....	28,020	-	28,020	251	-	251	-	27,769	-	27,769	28,020
Circuit breaker .....	219,738	-	219,738	-	-	-	-	219,738	-	219,738	219,738
Collaborative .....	3,000	-	3,000	-	-	-	-	3,000	-	3,000	3,000
Elementary rental .....	2,225	-	2,225	-	-	-	-	2,225	-	2,225	2,225
Flexible spending .....	1,046	-	1,046	-	-	-	-	1,046	-	1,046	1,046
Food service .....	-	6,440	6,440	1,034	-	1,034	6,440	-	(1,034)	5,406	6,440
Future farmers .....	312,614	-	312,614	-	-	-	-	312,614	-	312,614	312,614
High school rental .....	3,072	-	3,072	-	-	-	-	3,072	-	3,072	3,072
Middle school rental .....	1,500	-	1,500	-	-	-	-	1,500	-	1,500	1,500
School choice .....	288,283	-	288,283	-	-	-	-	288,283	-	288,283	288,283
Tridian art .....	5,295	-	5,295	-	-	-	-	5,295	-	5,295	5,295
TSA .....	875	-	875	-	-	-	-	875	-	875	875
Tuition .....	334,094	-	334,094	-	-	-	-	334,094	-	334,094	334,094
Wellness .....	1,813	-	1,813	-	-	-	-	1,813	-	1,813	1,813
<b>Federal/state grants/other:</b>											
Academic support fy14 .....	2,560	-	2,560	-	960	960	-	1,600	-	1,600	2,560
BCREB fy14 .....	963	-	963	-	800	800	-	163	-	163	963
Berkshire taconic fy14 .....	1,701	-	1,701	1,200	-	1,200	-	501	-	501	1,701
EWIS fy14 .....	2,040	-	2,040	-	-	-	-	2,040	-	2,040	2,040
Race to the top fy14 .....	23,044	-	23,044	-	-	-	-	23,044	-	23,044	23,044
Sped IDEA-B fy14 .....	18,187	-	18,187	-	-	-	-	18,187	-	18,187	18,187
Sped improvement fy14 .....	2,807	-	2,807	-	-	-	-	2,807	-	2,807	2,807
Title I fy14 .....	81,487	-	81,487	3,176	-	3,176	-	78,311	-	78,311	81,487
Twenty first century es/ms fy14 .....	9,745	-	9,745	8,722	1,023	9,745	-	-	-	-	9,745
United way fy14 .....	1,349	-	1,349	-	1,349	1,349	-	-	-	-	1,349
<b>Total .....</b>	<b>1,345,458</b>	<b>6,440</b>	<b>1,351,898</b>	<b>14,383</b>	<b>4,132</b>	<b>18,515</b>	<b>6,440</b>	<b>1,327,977</b>	<b>(1,034)</b>	<b>1,333,383</b>	<b>1,351,898</b>

See accompanying notes to the basic financial statements.

(Continued)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING SCHEDULE OF RESTRICTED FUND BALANCES  
 JUNE 30, 2014

	Fund Balance Restricted for				Totals (See page 6-3)
	Instruction	Ancillary School Services	Maintenance and Operations	Insurance and Employee Benefits	
<b>Revolving funds:</b>					
Athletic . . . . .	-	27,769	-	-	27,769
Circuit breaker . . . . .	219,738	-	-	-	219,738
Collaborative . . . . .	3,000	-	-	-	3,000
Elementary rental . . . . .	-	-	2,225	-	2,225
Flexible spending . . . . .	-	-	-	1,046	1,046
Future farmers . . . . .	-	312,614	-	-	312,614
High school rental . . . . .	-	-	3,072	-	3,072
Middle school rental . . . . .	-	-	1,500	-	1,500
School choice . . . . .	288,283	-	-	-	288,283
Tridian art . . . . .	5,295	-	-	-	5,295
TSA . . . . .	-	-	-	875	875
Tuition . . . . .	334,094	-	-	-	334,094
Wellness . . . . .	-	1,813	-	-	1,813
<b>Federal/state/other grants:</b>					
Academic support fy14 . . . . .	1,600	-	-	-	1,600
BCREB fy14 . . . . .	163	-	-	-	163
Berkshire taconic fy14 . . . . .	501	-	-	-	501
EWIS fy14 . . . . .	2,040	-	-	-	2,040
Race to the top fy14 . . . . .	23,044	-	-	-	23,044
Sped IDEA-B fy14 . . . . .	18,187	-	-	-	18,187
Sped improvement fy14 . . . . .	2,807	-	-	-	2,807
Title I fy14 . . . . .	78,311	-	-	-	78,311
<b>Total . . . . .</b>	<b>977,063</b>	<b>342,196</b>	<b>6,797</b>	<b>1,921</b>	<b>1,327,977</b>

See accompanying notes to the basic financial statements.

(Concluded)



## BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

## NONMAJOR SPECIAL REVENUE FUNDS

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	Revenues (See page 6-6 for details)	Expenditures (See page 6-7 for details)	Other Financing Uses	Net	Fund Balance	
				Changes in Fund Balances	June 30, 2013	June 30, 2014
<u>Revolving funds:</u>						
Athletic . . . . .	51,281	60,203	-	(8,922)	36,691	27,769
Bond premium . . . . .	-	-	29,500	(29,500)	29,500	-
Circuit breaker . . . . .	264,103	219,698	-	44,405	175,333	219,738
Collaborative . . . . .	53,294	50,294	-	3,000	-	3,000
Custodial . . . . .	4,931	4,931	-	-	-	-
Elementary rental . . . . .	900	-	-	900	1,325	2,225
E-rate . . . . .	44,482	44,482	-	-	-	-
Exxon . . . . .	-	266	-	(266)	266	-
Flexible spending . . . . .	31,407	34,426	-	(3,019)	4,065	1,046
Food service . . . . .	421,900	423,667	-	(1,767)	7,173	5,406
Future farmers . . . . .	25,553	-	-	25,553	287,061	312,614
High school rental . . . . .	400	-	-	400	2,672	3,072
Middle school rental . . . . .	1,250	-	-	1,250	250	1,500
SABIC . . . . .	-	70	-	(70)	70	-
School choice . . . . .	1,578,223	1,520,681	-	57,542	230,741	288,283
Tridian art . . . . .	1,000	653	-	347	4,948	5,295
TSA . . . . .	1,673	798	-	875	-	875
Tuition . . . . .	940,979	814,115	-	126,864	207,230	334,094
Wellness . . . . .	2,000	4,130	-	(2,130)	3,943	1,813
<u>Federal/state grants/other:</u>						
Academic support fy14 . . . . .	10,200	8,600	-	1,600	-	1,600
BCREB fy13 . . . . .	-	1,094	-	(1,094)	1,094	-
BCREB fy14 . . . . .	3,500	3,337	-	163	-	163
Berkshire taconic fy14 . . . . .	7,165	6,664	-	501	-	501
Big yellow school bus fy14 . . . . .	400	400	-	-	-	-
Early childhood sped fy14 . . . . .	13,923	13,923	-	-	-	-
EWIS fy14 . . . . .	3,000	960	-	2,040	-	2,040
Kindergarten enhancement fy14 . . . . .	45,008	45,008	-	-	-	-
Race to the top fy14 . . . . .	38,544	15,500	-	23,044	-	23,044
Race to the top mmsi fy14 . . . . .	7,500	7,500	-	-	-	-
Sped IDEA-B fy13 . . . . .	-	2,281	-	(2,281)	2,281	-
Sped IDEA-B fy14 . . . . .	435,257	417,070	-	18,187	-	18,187
Sped improvement fy13 . . . . .	-	5,282	-	(5,282)	5,282	-
Sped improvement fy14 . . . . .	5,852	3,045	-	2,807	-	2,807
Stars residences fy14 . . . . .	11,500	11,500	-	-	-	-
Title I fy13 . . . . .	33,094	33,094	-	-	-	-
Title I fy14 . . . . .	257,185	178,874	-	78,311	-	78,311
Title II fy13 . . . . .	-	3,896	-	(3,896)	3,896	-
Title II fy14 . . . . .	29,212	29,212	-	-	-	-
Twenty first century carryover fy14 . . . . .	48,262	48,262	-	-	-	-
Twenty first century es/ms fy13 . . . . .	39,221	80,349	-	(41,128)	41,128	-
Twenty first century es/ms fy14 . . . . .	230,475	230,475	-	-	-	-
Twenty first century hs fy13 . . . . .	15,486	37,372	-	(21,886)	21,886	-
Twenty first century sped fy13 . . . . .	12,370	14,482	-	(2,112)	2,112	-
Twenty first century sped fy14 . . . . .	16,354	16,354	-	-	-	-
United way fy14 . . . . .	40,000	40,000	-	-	-	-
Vocational education fy14 . . . . .	4,000	4,000	-	-	-	-
<b>Total . . . . .</b>	<b>4,730,884</b>	<b>4,436,948</b>	<b>29,500</b>	<b>264,436</b>	<b>1,068,947</b>	<b>1,333,383</b>

See accompanying notes to the basic financial statements.

(Continued)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	Revenues			Totals (See page 6-5)
	Inter- governmental	Fees and Charges for Services	Other	
<u>Revolving funds:</u>				
Athletic . . . . .	-	51,281	-	51,281
Circuit breaker . . . . .	264,103	-	-	264,103
Collaborative . . . . .	-	53,294	-	53,294
Custodial . . . . .	-	4,931	-	4,931
Elementary rental . . . . .	-	900	-	900
E-rate . . . . .	-	-	44,482	44,482
Flexible spending . . . . .	-	-	31,407	31,407
Food service . . . . .	194,462	227,438	-	421,900
Future farmers . . . . .	-	25,553	-	25,553
High school rental . . . . .	-	400	-	400
Middle school rental . . . . .	-	1,250	-	1,250
School choice . . . . .	1,578,223	-	-	1,578,223
Tridian art . . . . .	-	-	1,000	1,000
TSA . . . . .	-	-	1,673	1,673
Tuition . . . . .	-	940,979	-	940,979
Wellness . . . . .	-	2,000	-	2,000
<u>Federal/state grants/other:</u>				
Academic support fy14 . . . . .	10,200	-	-	10,200
BCREB fy14 . . . . .	-	-	3,500	3,500
Berkshire taconic fy14 . . . . .	-	-	7,165	7,165
Big yellow school bus fy14 . . . . .	400	-	-	400
Early childhood sped fy14 . . . . .	13,923	-	-	13,923
EWIS fy14 . . . . .	-	-	3,000	3,000
Kindergarten enhancement fy14 . . . . .	45,008	-	-	45,008
Race to the top fy14 . . . . .	38,544	-	-	38,544
Race to the top mmsi fy14 . . . . .	7,500	-	-	7,500
Sped IDEA-B fy14 . . . . .	435,257	-	-	435,257
Sped improvement fy14 . . . . .	5,852	-	-	5,852
Stars residences fy14 . . . . .	-	-	11,500	11,500
Title I fy13 . . . . .	33,094	-	-	33,094
Title I fy14 . . . . .	257,185	-	-	257,185
Title II fy14 . . . . .	29,212	-	-	29,212
Twenty first century carryover fy14 . . . . .	48,262	-	-	48,262
Twenty first century es/ms fy13 . . . . .	39,221	-	-	39,221
Twenty first century es/ms fy14 . . . . .	230,475	-	-	230,475
Twenty first century hs fy13 . . . . .	15,486	-	-	15,486
Twenty first century sped fy13 . . . . .	12,370	-	-	12,370
Twenty first century sped fy14 . . . . .	16,354	-	-	16,354
United way fy14 . . . . .	-	-	40,000	40,000
Vocational education fy14 . . . . .	4,000	-	-	4,000
<b>Total . . . . .</b>	<b>3,279,131</b>	<b>1,308,026</b>	<b>143,727</b>	<b>4,730,884</b>

See accompanying notes to the basic financial statements.

(Continued)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenditures				Totals (See page 6-5)
	Instruction	Ancillary School Services	Maintenance and Operations	Insurance and Employee Benefits	
<u>Revolving funds:</u>					
Athletic .....	-	60,203	-	-	60,203
Circuit breaker .....	219,698	-	-	-	219,698
Collaborative .....	50,294	-	-	-	50,294
Custodial .....	-	-	4,931	-	4,931
E-rate .....	-	-	44,482	-	44,482
Exxon .....	266	-	-	-	266
Flexible spending .....	-	-	-	34,426	34,426
Food service .....	-	423,667	-	-	423,667
SABIC .....	70	-	-	-	70
School choice .....	1,520,681	-	-	-	1,520,681
Tridian art .....	653	-	-	-	653
TSA .....	-	-	-	798	798
Tuition .....	814,115	-	-	-	814,115
Wellness .....	-	4,130	-	-	4,130
<u>Federal/state grants/other:</u>					
Academic support fy14 .....	8,600	-	-	-	8,600
BCREB fy13 .....	1,094	-	-	-	1,094
BCREB fy14 .....	3,337	-	-	-	3,337
Berkshire taconic fy14 .....	6,664	-	-	-	6,664
Big yellow school bus fy14 .....	-	400	-	-	400
Early childhood sped fy14 .....	13,923	-	-	-	13,923
EWIS fy14 .....	960	-	-	-	960
Kindergarten enhancement fy14 .....	45,008	-	-	-	45,008
Race to the top fy14 .....	15,500	-	-	-	15,500
Race to the top mmsi fy14 .....	7,500	-	-	-	7,500
Sped IDEA-B fy13 .....	2,281	-	-	-	2,281
Sped IDEA-B fy14 .....	417,070	-	-	-	417,070
Sped improvement fy13 .....	5,282	-	-	-	5,282
Sped improvement fy14 .....	3,045	-	-	-	3,045
Stars residences fy14 .....	11,500	-	-	-	11,500
Title I fy13 .....	33,094	-	-	-	33,094
Title I fy14 .....	178,874	-	-	-	178,874
Title II fy13 .....	3,896	-	-	-	3,896
Title II fy14 .....	29,212	-	-	-	29,212
Twenty first century carryover fy14 ..	-	48,262	-	-	48,262
Twenty first century es/ms fy13 .....	-	80,349	-	-	80,349
Twenty first century es/ms fy14 .....	-	230,475	-	-	230,475
Twenty first century hs fy13 .....	-	37,372	-	-	37,372
Twenty first century sped fy13 .....	-	14,482	-	-	14,482
Twenty first century sped fy14 .....	-	16,354	-	-	16,354
United way fy14 .....	40,000	-	-	-	40,000
Vocational education fy14 .....	4,000	-	-	-	4,000
<b>Total .....</b>	<b>3,436,617</b>	<b>915,694</b>	<b>49,413</b>	<b>35,224</b>	<b>4,436,948</b>

See accompanying notes to the basic financial statements.

(Concluded)

**SCHEDULE 5**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NONMAJOR PERMANENT TRUST FUNDS  
 COMBINING SCHEDULE OF BALANCE SHEETS  
 AS OF JUNE 30, 2014

	Assets		Liabilities	Fund Balance		
	Pooled Cash		Accounts Payable	Restricted for Trust Funds	Expenditures	Totals
Blum scholarship . . . . .	8,775		700	7,993	82	8,075
Bubriski scholarship . . . . .	6,118		100	6,000	18	6,018
Pickard/Provo scholarship . . . . .	158,731		1,000	154,425	3,306	157,731
Preston scholarship . . . . .	15,197		100	14,950	147	15,097
Reiskin scholarship . . . . .	19,515		-	19,000	515	19,515
Zucco scholarship . . . . .	10,162		100	10,000	62	10,062
<b>Total . . . . .</b>	<b>218,498</b>		<b>2,000</b>	<b>212,368</b>	<b>4,130</b>	<b>216,498</b>

See accompanying notes to the basic financial statements.



**SCHEDULE 6**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NONMAJOR PERMANENT TRUST FUNDS  
 COMBINING SCHEDULE OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2014

	Additions			Deductions		Fund Balance	
	Donations	Rescinded Scholarship Awards	Investment Income	Scholarship Awards	Net Change	June 30, 2013	June 30, 2014
Blum scholarship . . . . .	-	-	17	300	(283)	8,358	8,075
Bubriski scholarship . . . . .	-	-	12	-	12	6,006	6,018
Pickard/Provo scholarship . . . . .	3,350	-	313	1,000	2,663	155,068	157,731
Preston scholarship . . . . .	-	100	31	-	131	14,966	15,097
Reiskin scholarship . . . . .	-	-	39	-	39	19,476	19,515
Zucco scholarship . . . . .	-	-	21	-	21	10,041	10,062
<b>Totals . . . . .</b>	<b>3,350</b>	<b>100</b>	<b>433</b>	<b>1,300</b>	<b>2,583</b>	<b>213,915</b>	<b>216,498</b>

See accompanying notes to the basic financial statements.

**SCHEDULE 7**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
FIDUCIARY FUNDS  
COMBINING SCHEDULE OF NET POSITION  
AS OF JUNE 30, 2014

	Assets		Liabilities		Net Position
	Pooled	Accounts	Due To	Totals	Reserved
	Cash	Payable	Student		for
			Groups		Expenditures
Private-purpose trust funds:					
Blackwell scholarship . . . . .	3,798	500	-	500	3,298
Digrigoli scholarship . . . . .	13,319	500	-	500	12,819
FFA scholarship . . . . .	2,871	1,100	-	1,100	1,771
General scholarship . . . . .	21,635	8,850	-	8,850	12,785
Graduated classes . . . . .	11,331	2,550	-	2,550	8,781
Graham scholarship . . . . .	16,420	-	-	-	16,420
Hodges scholarship . . . . .	36,909	2,000	-	2,000	34,909
Hollenbeck scholarship . . . . .	4,261	200	-	200	4,061
Muir scholarship . . . . .	2,895	700	-	700	2,195
Triumvirate scholarship . . . . .	9,071	1,600	-	1,600	7,471
Total private-purpose trust funds . . . . .	<u>122,510</u>	<u>18,000</u>	-	<u>18,000</u>	<u>104,510</u>
Agency funds:					
Student activities - elementary . . . . .	20,481	997	19,484	20,481	-
Student activities - high school . . . . .	194,145	-	194,145	194,145	-
Student activities - middle school . . . . .	22,003	-	22,003	22,003	-
Total agency funds . . . . .	<u>236,629</u>	<u>997</u>	<u>235,632</u>	<u>236,629</u>	-
Total fiduciary funds . . . . .	<u>359,139</u>	<u>18,997</u>	<u>235,632</u>	<u>254,629</u>	<u>104,510</u>

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 PRIVATE-PURPOSE TRUST FUNDS  
 COMBINING SCHEDULE OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014

	Additions			Deductions		Net Position	
	Donations	Rescinded	Investment	Scholarship	Net	June 30,	June 30,
		Scholarship					
	Awards	Income	Awards				
Private-Purpose Trust Funds:							
Blackwell scholarship. . . . .	-	1,500	8	-	1,508	1,790	3,298
Digrigoli scholarship. . . . .	-	-	28	500	(472)	13,291	12,819
FFA scholarship. . . . .	-	-	6	500	(494)	2,265	1,771
General scholarship. . . . .	10,200	700	35	7,400	3,535	9,250	12,785
Graduated classes. . . . .	-	-	25	2,000	(1,975)	10,756	8,781
Graham scholarship. . . . .	250	-	35	-	285	16,135	16,420
Hodges scholarship. . . . .	-	-	74	2,000	(1,926)	36,835	34,909
Hollenbeck scholarship. . . . .	-	-	9	400	(391)	4,452	4,061
Muir scholarship. . . . .	100	-	6	700	(594)	2,789	2,195
Triumvirate scholarship. . . . .	-	-	19	800	(781)	8,252	7,471
Totals. . . . .	10,550	2,200	245	14,300	(1,305)	105,815	104,510

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

RECONCILIATION OF TREASURER'S CASH

FOR THE YEAR ENDED JUNE 30, 2014

Bank accounts - interest bearing:		
Berkshire Bank - checking payables and payroll . . . . .	478,468	
Berkshire Bank - checking food services. . . . .	<u>3,853</u>	
Subtotal . . . . .		482,321
Bank accounts - liquid investments:		
Berkshire Bank - money market. . . . .	2,956,690	
Unibank - money market. . . . .	<u>1,650</u>	
Subtotal . . . . .		2,958,340
Bank accounts - trust funds:		
Berkshire Bank - savings student activity. . . . .	187,725	
Berkshire Bank - flexible spending account . . . . .	7,446	
Unibank - scholarships . . . . .	341,008	
Adams Community Bank - future farmers trust. . . . .	312,614	
Berkshire Bank - checking student activity. . . . .	<u>6,219</u>	
Subtotal . . . . .		855,012
Petty cash . . . . .		<u>3,700</u>
Total pooled cash . . . . .		<u><u>4,299,373</u></u>

Pooled cash is presented in the financial statements as follows:

General fund. . . . .	2,360,050	
Other nonmajor governmental funds. . . . .	<u>1,580,184</u>	
Subtotal . . . . .		3,940,234
Fiduciary funds. . . . .	<u>359,139</u>	
Total pooled cash . . . . .		<u><u>4,299,373</u></u>

Reconciliation between reported treasurer's year-end report and financial statement:

Total cash per treasurer's year-end cash report . . . . .	4,292,954	
Berkshire Bank - checking student activity. . . . .	6,219	
Petty cash - student activity . . . . .	<u>200</u>	
Total pooled cash per financial statements . . . . .		<u><u>4,299,373</u></u>

See accompanying notes to the basic financial statements.

**SCHEDULE 10**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
OTHER POST-EMPLOYMENT BENEFITS FUNDING PROGRESS (UNAUDITED)  
AS OF JUNE 30, 2014

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/08	\$ -	\$ 41,992,877	\$ 41,992,877	0.0%	\$ 13,519,073	310.6%
07/01/10	\$ -	\$ 43,586,948	\$ 43,586,948	0.0%	\$ 12,236,361	356.2%
06/30/12	\$ -	\$ 38,023,253	\$ 38,023,253	0.0%	\$ 13,201,860	288.0%

See accompanying notes to the basic financial statements.



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

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To the School Committee of the  
Berkshire Hills Regional School District:

December 3, 2014

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Berkshire Hills Regional School District of Massachusetts (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2014.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies; specifically "Finding 2014-001 and Finding 2014-002".

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the District in a separate letter dated December 3, 2014.

### District's Response to Findings

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

### Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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To the School Committee of the  
Berkshire Hills Regional School District:

Report on Compliance for Each Major Program

We have audited the Berkshire Hills Regional School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Program 84.287 – Twenty First Century

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 84.287 Twenty First Century as described in finding number 2014-003 for Participation of Private School Children. Compliance with such a requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Program 84.287 – Twenty First Century

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Program 84.287 – Twenty First Century for the year ended June 30, 2014.

Unmodified Opinion of Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

## Other Matters

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

## Report on Internal Control Over Compliance

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

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

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

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

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
December 3, 2014

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

---

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an opinion on the basic financial statements of the Berkshire Hills Regional School District which was unmodified.
2. Two significant deficiencies disclosed during the audit of the basic financial statements are reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." These deficiencies are not reported as a material weakness.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program & Internal Control Over Compliance in Accordance With Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the District expresses a qualified opinion.
6. There was one audit findings relative to the District's federal award major program 84.287.
7. The programs tested as major programs were:
  - 84.027 Special Education – Grants to States
  - 84.173 Special Education – Early Childhood Learning
  - 84.287 Twenty First Century
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. As defined by Circular A-133, the District was determined to be a low risk auditee.

**B FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Significant Deficiencies**

**2014-001 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY13 report)**

**Condition:** As is the case for most school districts and municipalities in Massachusetts, the District does not prepare its financial statements. The financial statements are prepared by the accounting firm that conducts the audit of these statements. Although District management reviews a draft of the financial statements to detect any errors or omissions before the financial statements are finalized and released, the District does not have adequately trained personnel to determine if these financial statements adhere to the latest governmental accounting standards.

**Background:** The American Institute of Certified Public Accountants issued Auditing Standard #112 "Communicating Internal Control Related Matters Identified in the Audit". This standard requires the auditor to report on control deficiencies involving the preparation of the financial statements. Specifically it addresses the fact that it is the District's, rather than the auditor's, responsibility to prepare financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**B FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**Significant Deficiencies (Continued)**

**2014-001 – Preparation of financial statements based on generally accepted accounting principles (continued)**

**Criteria:** A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosure. The fact that the auditor prepares the financial statements may mean they are correct, but it does not eliminate the control deficiency. An auditor cannot be considered part of the client's internal control. Thus, controls over the financial statement preparation function that exist in the auditor's firm cannot be considered. Only the controls the client has in place can be considered in determining whether there is a control deficiency and its severity.

**Cause:** District personnel are not trained to prepare the financial statements, including accompanying footnotes.

**Effect:** Because District personnel are not trained to prepare the financial statements, including accompanying footnotes, there is more than a remote likelihood that District personnel, during their review process, would not be able to detect a significant error or omission in the financial statements.

**Recommendation:** The District should be aware that this control deficiency exists, and consider whether it wants to spend the resources needed to adequately train its personnel so that they could prepare the financial statements or have the financial statements prepared by a qualified, independent third party.

**Views of Responsible District Official and Planned Corrective Actions:** We are aware of this situation and will take the above recommendation under consideration.

**2014-002 - Accounting policies and procedures manual (this deficiency had been noted in the FY13 report)**

**Condition:** As is the case with the majority of regional school districts we have audited, the District does not have a comprehensive and all inclusive manual which documents the financial accounting policies and procedures under which it operates.

**Criteria:** An accounting policies and procedures manual is an important part of the overall internal control system. Such a manual would document the District's systems, work requirements, accounting methodologies, etc.

**Cause:** District personnel do not have the time to prepare an all-inclusive manual due to the demands of their day-to-day operations.

**Effect:** Possible disruption of operations should key business office personnel leave.

**Recommendation:** Management should request all business office personnel to draft pertinent sections of this manual dealing with their specialized area (i.e., payroll, payables, receipts, disbursements, etc.). These drafts should then be reviewed, edited, and compiled by the director of business services into one comprehensive and inclusive manual.

**Views of Responsible District Official and Planned Corrective Actions:** The business office has developed a draft manual which is currently being updated and reviewed. We will continue to work on the manual as time allows.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**C FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

DEPARTMENT OF EDUCATION

Twenty First Century Program CFDA No. 84.0287

Questioned  
Costs

**Finding 2014-003** – State Project No. 647-050-4-0618-O---Period Ended June 30, 2014 and  
State Project No. 647-051-4-0618-O---Period Ended June 30, 2014

**Condition and Criteria:** The Office of Management and Budget's 2014 Compliance Supplement Department of Education Cross-Cutting Section Part N (1) requires that the District, after timely and meaningful conversation with private school officials, must provide equitable services to eligible private school children. Specifically, if there are private schools in the District's catchment area that have students that meet the program requirements, the District must contact the private schools and offer program participation to the eligible students. The District did not extent an offer to private schools to participate in this program.

**Effect:** Failure to have a system in place to meet private school participation could result in the District being disqualified from future participation in the Twenty First Century Program, and the federal government could require the District to reimburse the federal government for all or a portion of the program's reported costs; which is approximately \$274,000.

It should be noted that the Twenty First Century program provides students with the opportunity to participate in pre and post school day programs which are held at specific sites within the District's geographical area. District management asserts that the inclusion of eligible private school students in these programs would not have materially increased the costs incurred to provide these services at these settings.

None

**Cause:** Because this federal program is passed through the State Department of Elementary and Secondary Education, District personnel rely solely on the state's Twenty First Century program manager to provide it with guidance on program compliance requirements. The District did not have the Office of Management and Budget's 2014 Compliance Supplement to help augment and clarify specific program compliance requirements.

**Recommendation:** District personnel should obtain the Office of Management and Budget's Compliance Supplement to ensure compliance with all grant requirements.

**Views of Responsible District Official and Planned Corrective Actions:** The Twenty First Century Program Director, along with his supervisor, the Director of Learning and Teaching, have obtained the OMB Compliance Supplement. For the two remaining fiscal 2015 school year programs as well as the 2015 summer program, the Director will contact the private schools to encourage program participation. In coming years, the Director of Learning and Teaching will work with the Twenty First Century Program Director to develop a private school contract protocol in conjunction with the Title I program.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 06/30/13	Revenue			Expenditures			Fund Balance 06/30/14
					Federal	State	Other	Federal Program	Refund to State	Other	
<b>U.S. Department of Agriculture</b>											
Passed Through State Department of Education:											
Food Distribution (NOTE C) . . . . .	10.550	02-113-1	N/A	-	37,978	-	-	37,978	-	-	-
National School Breakfast Program . . . . .	10.553	02-113-1	N/A	-	27,189	-	-	27,189	-	-	-
National School Lunch Program . . . . .	10.555	02-113-1	N/A	7,173	160,547	6,726	227,438	160,547	-	235,931	5,406
<b>TOTAL DEPARTMENT OF AGRICULTURE . . . . .</b>				<b>7,173</b>	<b>225,714</b>	<b>6,726</b>	<b>227,438</b>	<b>225,714</b>	<b>-</b>	<b>235,931</b>	<b>5,406</b>
<b>U.S. Department of Education</b>											
Passed Through State Department of Education:											
Title I, Part A Cluster:											
Title I Grants to LEAs . . . . .	84.010	305-000615-2013-0618	199,998	-	33,094	-	-	33,094	-	-	-
Title I Grants to LEAs . . . . .	84.010	305-018132-2014-0618	293,645	-	257,185	-	-	178,874	-	-	78,311
Subtotal Title I, Part A Cluster . . . . .			493,643	-	290,279	-	-	211,968	-	-	78,311
Special Education IDEA Cluster:											
Sped IDEA B - Grants to States . . . . .	84.027	240-283-3-0618-N	438,442	2,281	-	-	-	2,281	-	-	-
Sped IDEA B - Grants to States . . . . .	84.027	240-361-4-0618-O	435,257	-	435,257	-	-	417,070	-	-	18,187
Sped Program Improvement . . . . .	84.027	274-262-3-0618-N	9,927	5,282	-	-	-	5,282	-	-	-
Sped Program Improvement . . . . .	84.027	274-308-4-0618-O	5,852	-	5,852	-	-	3,045	-	-	2,807
Sped 21st Century Enhanced . . . . .	84.027	245-009-3-0618-N	34,000	2,112	12,370	-	-	14,482	-	-	-
Sped 21st Century Enhanced . . . . .	84.027	245-012-4-0618-O	16,354	-	16,354	-	-	16,354	-	-	-
Sped Early Childhood Learning . . . . .	84.173	262-14-Berkshire Hills	13,923	-	13,923	-	-	13,923	-	-	-
Subtotal Special Education IDEA Cluster . . . . .			953,755	9,675	483,756	-	-	472,437	-	-	20,994
21st Century Middle/Elementary Schools . . . . .	84.287	647-080-3-0618-N	215,738	41,128	39,221	-	-	80,349	-	-	-
21st Century Middle/Elementary Schools . . . . .	84.287	647-050-4-0618-O	230,475	-	230,475	-	-	225,953	4,522	-	-
21st Century High School . . . . .	84.287	647-037-3-0618-N	140,000	21,886	15,486	-	-	37,372	-	-	-
21st Century Community Learning . . . . .	84.287	647-051-4-0618-O	48,262	-	48,262	-	-	48,262	-	-	-
Total Program 84.287 . . . . .			634,475	63,014	333,444	-	-	391,936	4,522	-	-
Title IIA Teacher Quality . . . . .	84.367	140-002942-2013-0618	43,304	3,896	-	-	-	3,896	-	-	-
Title IIA Teacher Quality . . . . .	84.367	140-030744-2014-0618	42,405	-	29,212	-	-	29,212	-	-	-
Total Program 84.367 . . . . .			85,709	3,896	29,212	-	-	33,108	-	-	-
ARRA Race to the Top . . . . .	84.395	201-015722-2014-0618	39,912	-	38,544	-	-	15,500	-	-	23,044
ARRA Race to the Top Pre AP . . . . .	84.395	328-003-4-0618-O	7,500	-	7,500	-	-	7,500	-	-	-
Total Program 84.395 . . . . .			47,412	-	46,044	-	-	23,000	-	-	23,044
<b>TOTAL DEPARTMENT OF EDUCATION . . . . .</b>			<b>2,214,994</b>	<b>76,585</b>	<b>1,182,735</b>	<b>-</b>	<b>-</b>	<b>1,132,449</b>	<b>4,522</b>	<b>-</b>	<b>122,349</b>
<b>TOTAL FEDERAL ASSISTANCE . . . . .</b>			<b>2,214,994</b>	<b>83,758</b>	<b>1,408,449</b>	<b>6,726</b>	<b>227,438</b>	<b>1,358,163</b>	<b>4,522</b>	<b>235,931</b>	<b>127,755</b>

See accompanying notes to schedule of expenditures of federal awards.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

---

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and other awards (the Schedule) includes the federal grant activity of the Berkshire Hills Regional School District (the District) under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where applicable.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SUMMARY OF PRIOR YEAR'S FINDINGS AND CURRENT YEAR'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2014

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**SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS**

There were no findings or questioned costs associated with the audit of major federal award programs for the fiscal year ended June 30, 2013.

**CORRECTIVE ACTION PLAN – CURRENT YEAR**

There were two findings regarding this year's audit that are considered significant deficiencies concerning the completion of accounting policies and procedures manual and the preparation of financial statements. There was also a finding concerning the lack of private school participation for the Twenty First Century program

Please refer to "Significant Deficiencies 2014-001 and 2014-002" in Section B and "Finding 2014-003" in Section C of the Schedule of Findings and Questioned Costs beginning on page 7-4 of this report package for a detailed description of these deficiencies and this finding, along with the District's corrective action scenario.

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES OVER COMPLIANCE APPLICABLE TO MASSACHUSETTS SCHOOL DISTRICTS' END-OF-YEAR PUPIL AND FINANCIAL REPORT

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To the School Committee of the  
Berkshire Hills Regional School District

We have performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's (DESE) Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Pupil and Financial Report prepared by the Berkshire Hills Regional School District (the "District") for the year ended June 30, 2014. We performed these procedures solely to assist the District and DESE evaluate the District's assertion that it has complied with the DESE requirements applicable to the preparation and filing of a Massachusetts School District's End-of-Year Pupil and Financial Report. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users.

Consequently we make no representation regarding the sufficiency of the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Pupil and Financial Report for the purpose for which this report has been requested or for any other purpose.

We found no instances of noncompliance with the agreed-upon procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the End-of-Year Pupil and Financial Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the school committee, management, and the Massachusetts Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
December 3, 2014

## REPORT TO MANAGEMENT

To the School Committee of the  
Berkshire Hills Regional School District:

In planning and performing our audit of the basic financial statements of the Berkshire Hills Regional School District of the Commonwealth of Massachusetts (the "District") for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We have issued a separate report on significant deficiencies dated December 3, 2014, which is included in this reporting package.

As a result of our audit of the basic financial statements, we noted certain other matters, not considered to be significant deficiencies, which are listed below.

Current Year's Comments:

- Filing Documents
- Revisions to Federal Grant Compliance Requirements

Prior Year's Comments:

- Twenty First Century Grants
- Late Fees and Interest on District Credit Card Bills
- Implementation of GASB #68 "Accounting and Financial Reporting for Pensions"

This report is intended for the information of the school committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these recommendations with you and to assist you in implementing them.

Sincerely,

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
December 3, 2014

## CURRENT YEAR'S COMMENTS

### FILING DOCUMENTS

**FY14 Observation:** We noted several instances where bank statements and documents supporting receipts could not be found. District personnel were able to obtain copies of these items from websites, but the original items were never located. District policy requires all bank statements and receipts documents be filed chronologically in binders. However, we noted piles of these documents on top of cabinets or on the floor of the business office.

**FY14 Recommendation:** Bank statements and receipts documents must be filed in a timely manner.

### REVISIONS TO FEDERAL GRANT COMPLIANCE REQUIREMENTS

**Fiscal 2014 Observation:** On December 26, 2013 the federal government published in the Federal Register Document #2013-30465 changes to and consolidation of compliance requirements for federal grants. This document supersedes and/or consolidates seven different federal circulars into one so called "Super Circular". In general, the Super Circular applies to regional school districts beginning with fiscal year 2016; however, it is also effective for any federal grants awarded to the District subsequent to December 26, 2014.

The Super Circular's purpose is to streamline the guidance relating to federal awards to ease the administrative burden for grantees by eliminating unnecessary and duplicate requirements, and by focusing on areas that will achieve better outcomes and lower cost. Among other requirement issues, this Super Circular stresses compliance with procurement, monitoring of sub-recipients, and time and effort reporting regarding employee wages.

**Fiscal 2014 Recommendation:** The District's business administrator should obtain a copy of the Super Circular and adopt its relevant compliance requirements into the District's internal controls for grant management.

## PRIOR YEAR'S COMMENTS

### TWENTY FIRST CENTURY GRANTS

**FY13 Observations:** During fiscal 2013 the Department of Elementary and Secondary Education ("DESE") awarded three twenty first century grants to the District totaling \$389,738. These grants effectively covered the period from September 1, 2012 through August 31, 2013. Among other grant stipulations, DESE required that the District submit amendments to the grant budgets before August 31, 2013 and DESE required that the District submit a final expenditure report for each grant by October 31, 2013. The following observations were noted regarding all three of these grants.

- An amended budget request was submitted to DESE on October 10, 2013 nearly one and half months after the filing deadline. Even though they were filed late, in each instance, DESE did approve the amended budget request.
- The final grant expenditure report was sent to DESE on November 22, 2013 nearly a month after the filing deadline.
- There were numerous general journal entries made, toward the end of the grant period, to the District's general ledger expenditure line-items for these three grants in an effort to reclassify expenditures to their proper accounts within the framework of their amended budgets.

These observations indicate that there was inadequate planning by the grant's program director regarding the availability and use of grant resources to finance grant programs. Additionally, there was a failure to keep financial personnel informed, in a timely manner, as to changes in program parameters.

## TWENTY FIRST CENTURY GRANTS (continued)

**FY13 Recommendations:** The District should consider implementing the following procedures to improve this situation.

- The program director should submit detailed budgets for each grant program to the District's business manager for her approval before any programs start operations.
- Each month, the program director and the business manager should meet to review cumulative grant expenditure reports to ensure that over-expenditures are not occurring; and if they are, that amendments to the budget get submitted to DESE in a timely manner.
- A qualified individual should assist the grant program director to develop budgets, prepare contracts with vendors, and establish stipend policies for employees assigned to grant programs.

**FY14 Status:** The above recommendations were implemented.

### LATE FEES AND INTEREST ON DISTRICT CREDIT CARD BILLS

**FY13 Observation:** Facilities management personnel use a District credit card to purchase fuel for District vehicles. We noted at least one instance where the credit card bill for \$487 was paid late. As a result, the District was required to pay late fees and interest of \$21 and \$17, respectively.

**FY13 Recommendation:** To avoid incurring late fee and finance charges the District should make every effort to pay its credit card bills in a timely manner.

**FY14 Status:** No instances of late payment of credit card bills were noted.

### IMPLEMENTATION OF GASB #68 "ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS"

**FY12 Observation:** In August 2012 the Governmental Accounting Standards Board (GASB) issued a new pronouncement, GASB #68 that fundamentally revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

This pronouncement generally requires governments to change from "pay-as-you-go" recognition of pension costs to a full accrual method. Governments may continue to fund these costs when actually paid but must begin recognizing annual pension expense as the employee services are provided. Significant balance sheet liabilities will exist for governments that don't convert to accrual funding.

The District is required to implement these changes for the fiscal year beginning July 1, 2014.

**FY12 Recommendation:** District management should attend seminars and obtain the necessary literature required, well in advance of the implementation deadline, to ensure compliance with all the provisions of this new accounting pronouncement.

**FY14 Status:** The District's business administrator attended a professional development course on this topic presented by the Massachusetts Association of School Business Officials. Inquiries with officials from the applicable county and state retirement boards are being made to ensure the District will have the necessary information needed to comply with this GASB pronouncement.